

第9回「貧困、飢餓をなくし地球環境を守る分科会」  
第3回「SDGsに貢献する金融商品に関するワーキング・グループ」

平成30年12月12日  
午前10時～11時30分  
協会 第1会議室

次 第

1. 欧州と世界のグリーンファイナンスの発展  
【ゲストスピーカー】経済協力開発機構（OECD）事務次長 河野 正道 氏
2. 新興国市場の金融機関を対象としたIFCのグリーンボンド・ファンド - 投資の促進と発行の活発化  
【ゲストスピーカー】国際金融公社（IFC）CIO Jean-Marie Masse 氏、シニア・インベストメント・オフィサー 小出 治子 氏
3. ICMAのグリーンボンド原則及びExecutive Committee等における議論のアップデート  
【ゲストスピーカー】国際資本市場協会（ICMA）ディレクター Peter Munro 氏
4. 「貧困、飢餓をなくし地球環境を守る分科会」の検討状況等について

以 上

(※) 日英同時通訳により行います。  
チャンネル1：日本語で聞きたい方  
チャンネル2：英語で聞きたい方



# DEVELOPMENTS IN GREEN FINANCE IN EUROPE AND GLOBALLY

12 December 2018  
JSDA International Relations Committee

**Masamichi Kono**

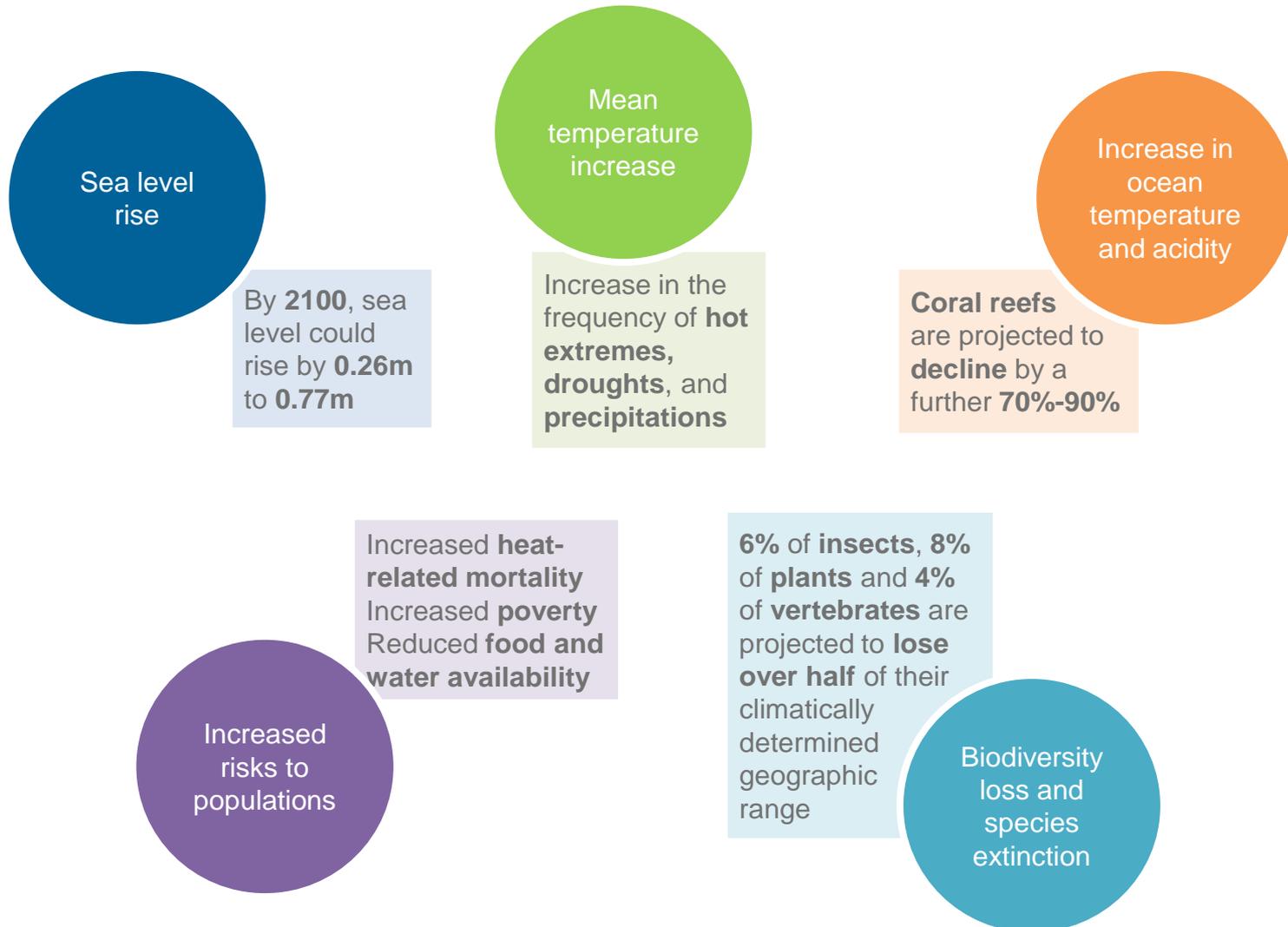
Deputy Secretary-General

Organisation for Economic Co-operation and Development

*This presentation represents the views of the author alone and does not necessarily represent views of the OECD or its member countries.*

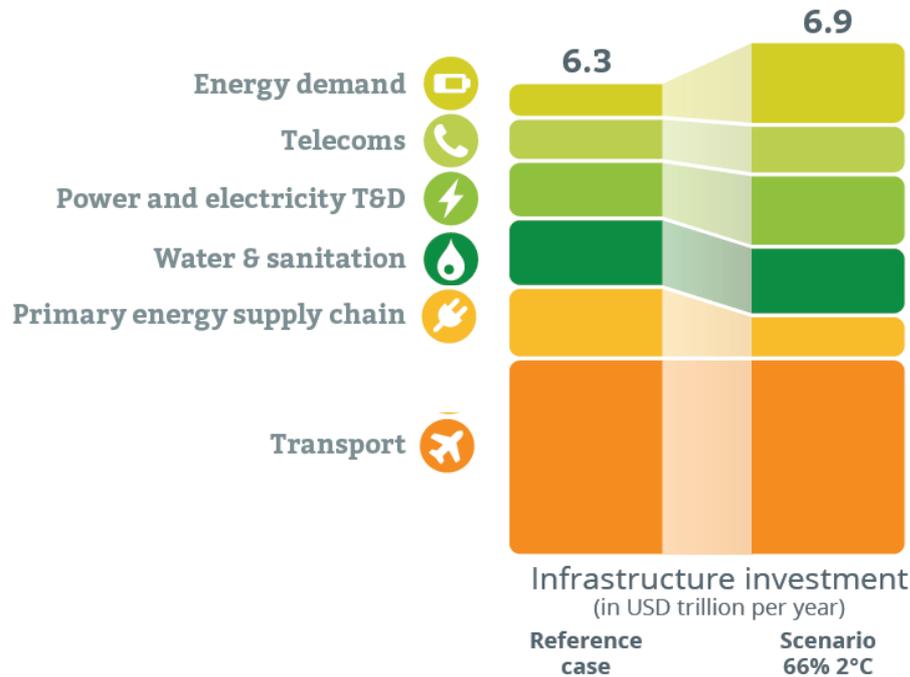


# A 1.5° C rise in global temperatures threatens human wellbeing and the planet



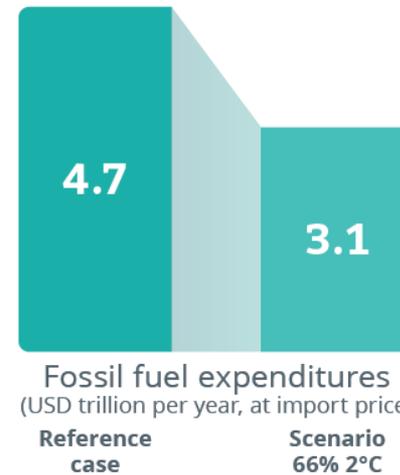


# A climate-compatible scenario only requires a **10% increase** in infrastructure investment



Current total infrastructure spending:

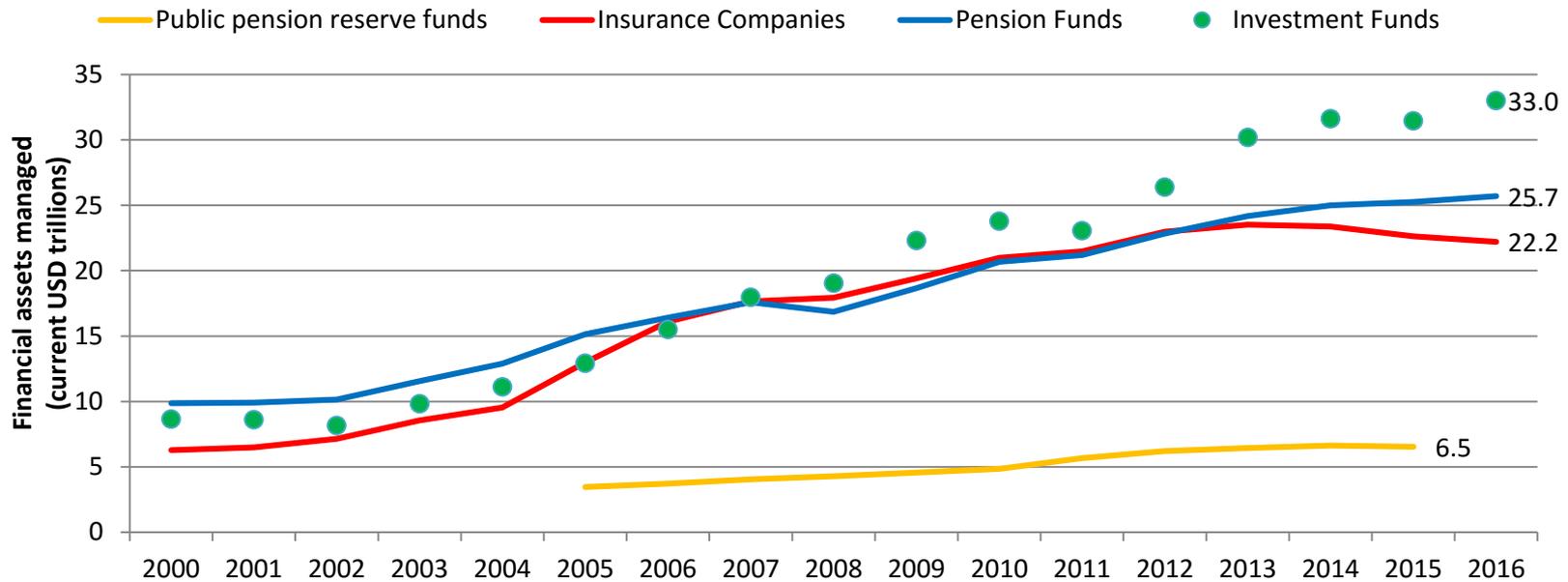
USD 3.4-4.4 tn





# Institutional investors in OECD countries alone manage up to USD 84 tn in assets

Only 1% of large OECD pension fund assets are invested directly in infrastructure\*  
And only a fraction of that 1% is invested in green infrastructure\*\*



Source: OECD Global Pension Statistics, Global Insurance Statistics and Institutional Investors databases, and OECD staff estimates. (1) Public Pension Reserve Funds, (2) Other forms of institutional savings

\* 2015, direct unlisted equity investment by large OECD pension funds, covering \$10+tn

\*\* BNEF estimates



## The growth of the global green bond market





## Key **regulatory** and **policy** initiatives can influence investors' decisions to finance green, sustainable assets

- Task Force on Climate-related Disclosures **TCFD**
- EU High-Level Expert Group on Sustainable Finance **HLEG**
- EU Technical Experts Group on Sustainable Finance **TEG**
- Central Banks and Supervisors Network for Greening the Financial System **NGFS**
- G20 Sustainable Finance Study Group
- Canada's Expert Panel on Sustainable Finance
- Green Finance Network Japan **GFNJ**
- UK Green Finance Task Force

The **OECD** is an observer to the **TEG** and the **NGFS**





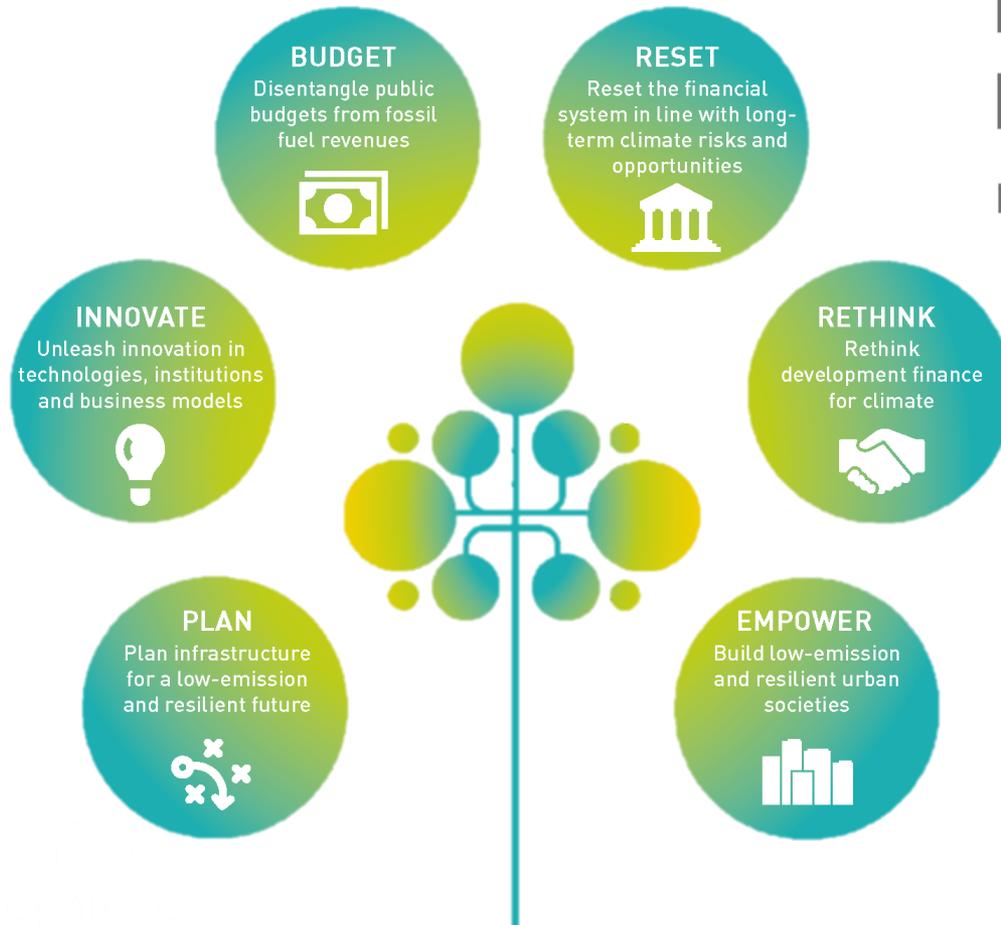
## Example of policy initiative: EU Action Plan on Sustainable Finance

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- January 2018: Launch of the recommendations of the **EU High-Level Expert Group (HLEG)** on Sustainable Finance
- March 2018: Launch of the European Commission's **Action Plan on Sustainable Finance**
- May 2018: Adoption by the Commission of three **legislative proposals** for new or amended regulations to implement this Action Plan:
  - ✓ To create a “taxonomy” framework to facilitate sustainable investment
  - ✓ To promote disclosures relating to sustainable investments and risks, including amending the EU Non-Financial Reporting Directive
  - ✓ To amend the benchmark regulation to create low-carbon and positive carbon impact benchmarks
- June 2018: Creation of a **Technical Expert Group on sustainable finance (TEG)** to help develop delegated acts that would follow the legislation adoption



# Moving to a transformational agenda for climate action



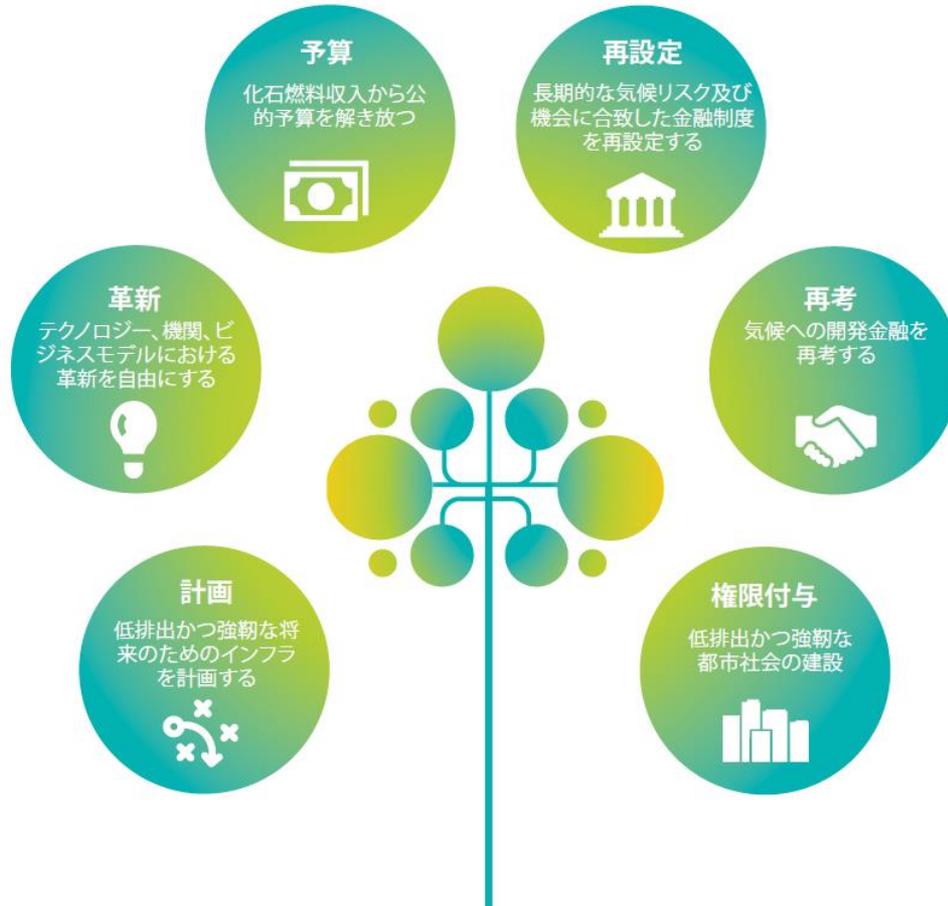
## Financing Climate Futures

RETHINKING INFRASTRUCTURE



# Moving to a transformational agenda for climate action

「金融の流れを低排出かつ強靭なインフラに合致させるため変換が必要な6つの領域」



## Financing Climate Futures

RETHINKING INFRASTRUCTURE

気候の将来へのファイナンス  
インフラを再考する



**Policy dialogue** enables stakeholders to cooperate and think creatively to support **concrete action** and **systemic change**



**5<sup>th</sup> Forum, 13-14 November, 2018, Paris**

<http://www.oecd.org/cgfi/forum/>

- Annual flagship event of the OECD Centre on Green Finance and Investment
- Gathers senior policy makers and key actors in green finance and investment from around the world
- **600** delegates
- **62** high-level speakers
- **69** countries represented:  
**25** OECD & **44** non-OECD member countries
- **600** connections on the live webcast
- **61 701** twitter impressions



A global platform to catalyse and support the transition to a green, low-emissions and climate-resilient economy

<http://www.oecd.org/cgfi>

# GREEN BONDS

## POWERFUL TOOL FOR FINANCING THE TRANSITION TO A GREENER ECONOMY

TOKYO, JAPAN  
DECEMBER 2018



*Creating Markets, Creating Opportunities*

Jean-Marie Masse  
Chief Investment Officer  
Financial Institutions Group  
International Finance Corporation  
jmasse@ifc.org

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<b>1. Fundamental Drivers for Green Bonds</b>	<b>3</b>
<b>2. Importance of Financial Sector</b>	<b>7</b>
<b>3. Creating the Green Bond Asset Class in EM</b>	<b>10</b>

## Development reach – FIG importance

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- **Largest global development institution focused on private sector in EM**
    - 101 offices in 94 countries worldwide
    - Relationship with more than 2,000 firms
  - **Financial Institutions a key client sector**
  - **Major FIG firms – turn key for climate assets**
    - Growing majority with climate assets
    - Aggregation for adequate scale
    - Stronger credits + IFC uplift / risk capacity
- => More investible for global markets



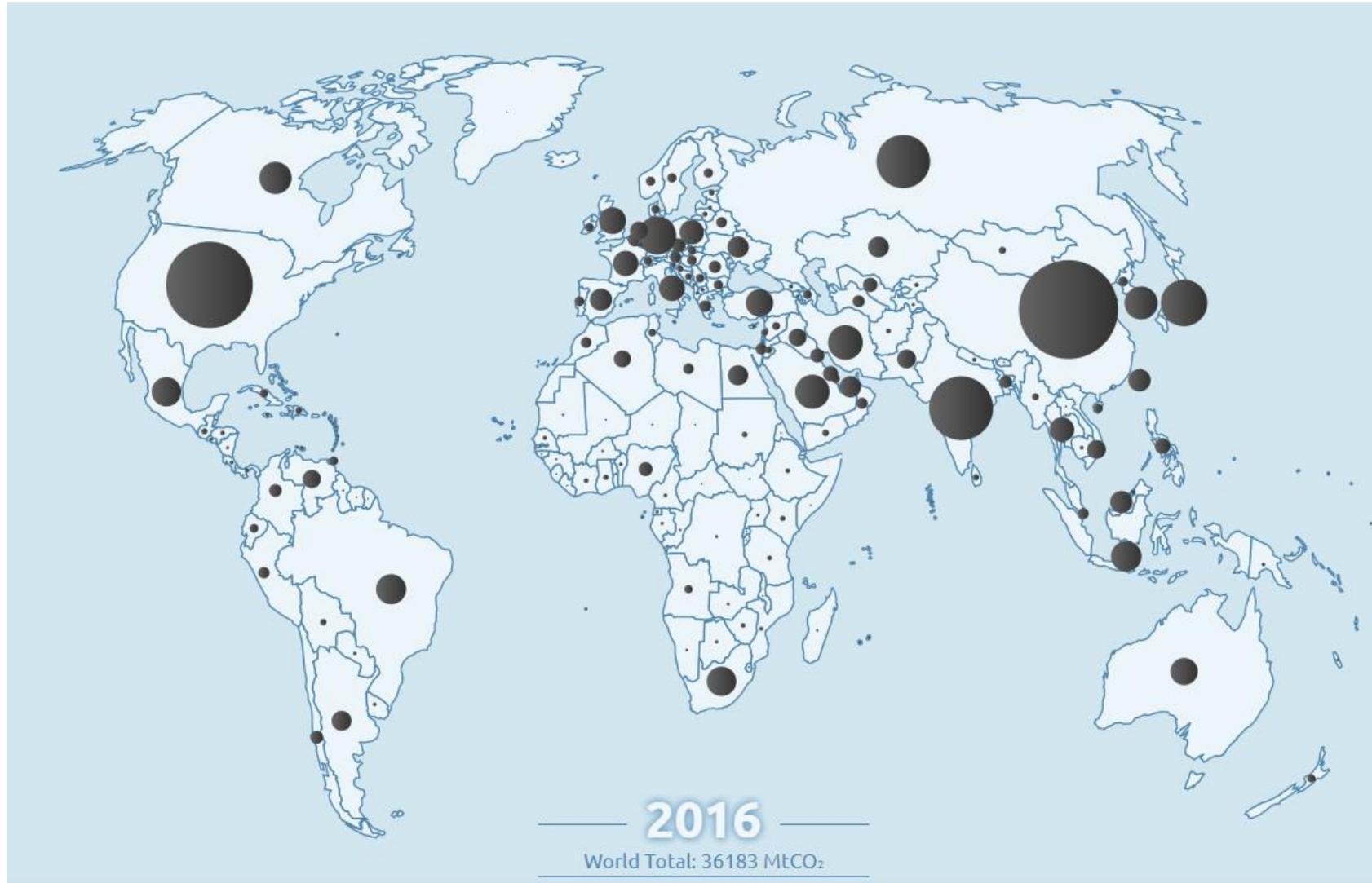
*Investment, Advisory, Resource Mobilization*

# 1. DRIVERS OF GREEN BONDS



*Creating Markets, Creating Opportunities*

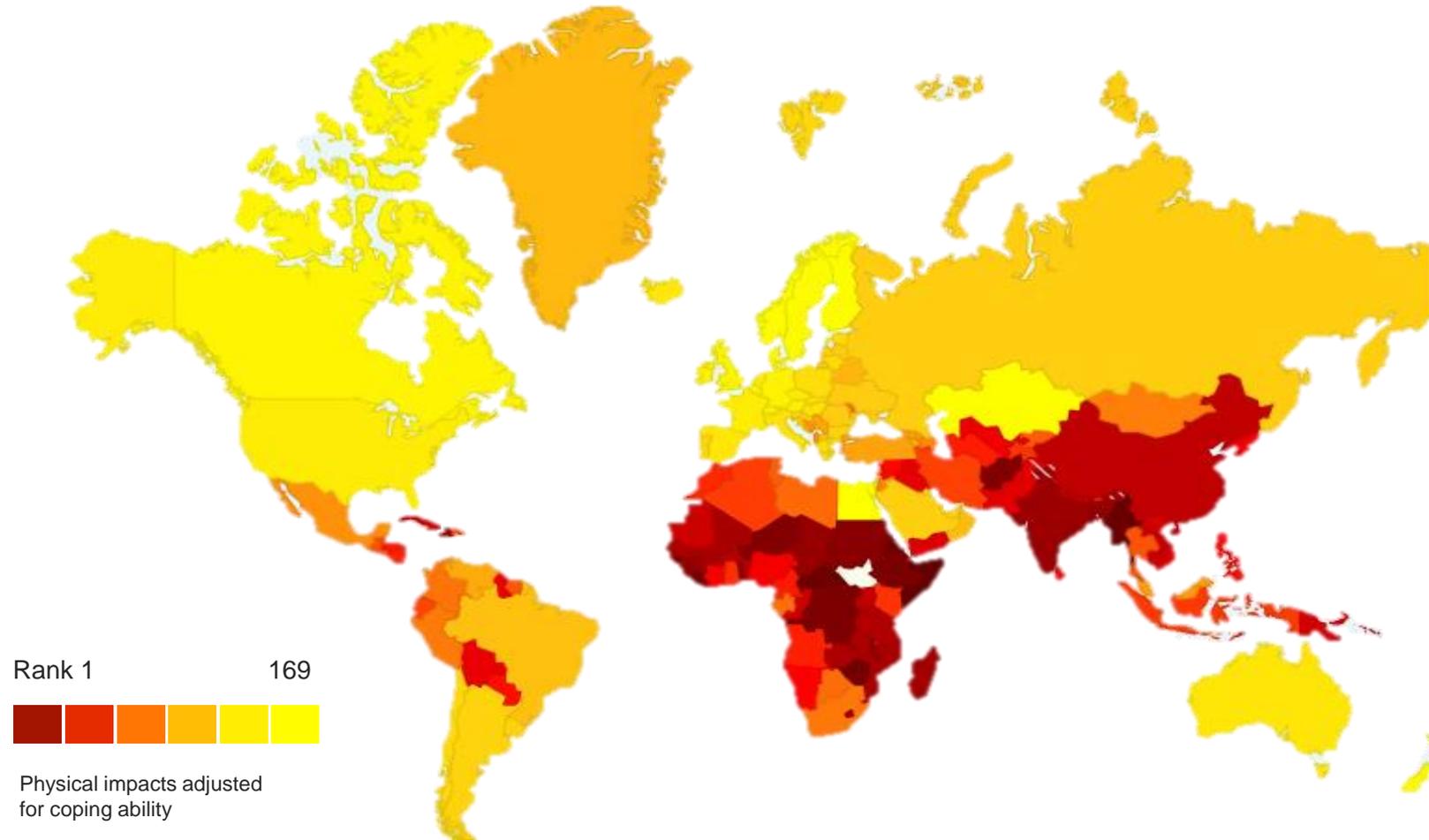
# Global Context: Large EMs are among major emitters of CO<sub>2</sub>s



Source: Global Carbon Atlas

# Low and Lower-Middle Income Countries are most impacted by Climate Change

## Adaptation - Vulnerability to climate change



Source: Center for Global Development, "Quantifying Vulnerability to Climate Change"

# Investment opportunity for climate in emerging markets – at scale



**Buildings**  
US\$ 16,334 Billion

**Transport**  
US\$ 3,699 Billion

**Renewables**  
US\$ 1,765 Billion

**Electric transmission  
and distribution**  
US\$ 413 Billion

**Industrial Energy Efficiency**  
US\$ 307 Billion

**Waste**  
US\$ 115 Billion

**US\$ 23  
TRILLION**

**Investment opportunity for  
climate  
in 21 EM  
countries  
by 2030**

**East Asia and Pacific**  
US\$ 16,046 Billion

**Latin America and the Caribbean**  
US\$ 2,640 Billion

**South Asia**  
US\$ 2,234 Billion

**Europe and Central Asia**  
US\$ 665 Billion



# 2. IMPORTANCE OF FINANCIAL SECTOR



*Creating Markets, Creating Opportunities*

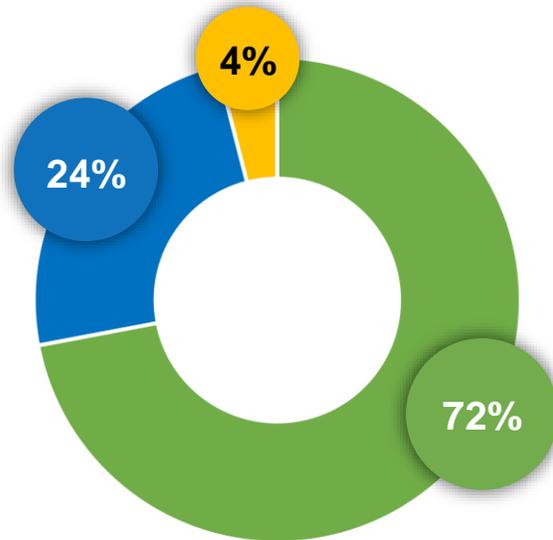
# Growing majority of IFC client banks financing climate - and see lower NPLs

- 72% of banks responded that they provided climate lending – up from 61% the year before
- 62% of banks responded that *NPL of their green portfolio is lower* than non-green portfolio
- 135 FIG investment portfolio clients surveyed
- Sample represented over 25% of FIG portfolio clients that have lending operations



## Banks Financing Climate Business

- Active Clients
- Interested Clients
- Non Active

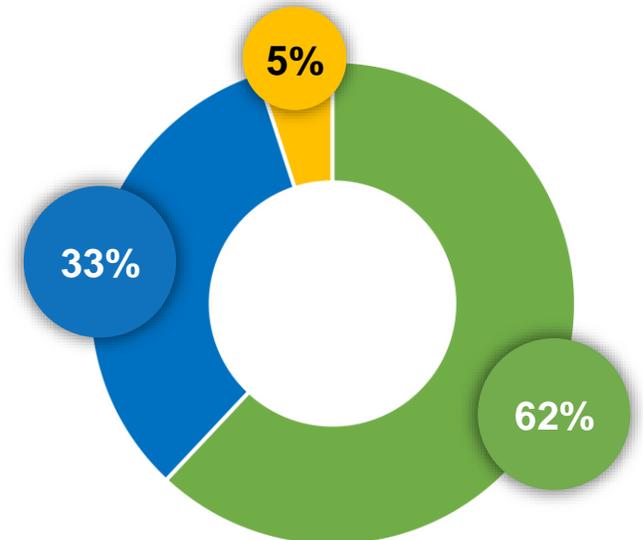


Note: Sample of 135 banks



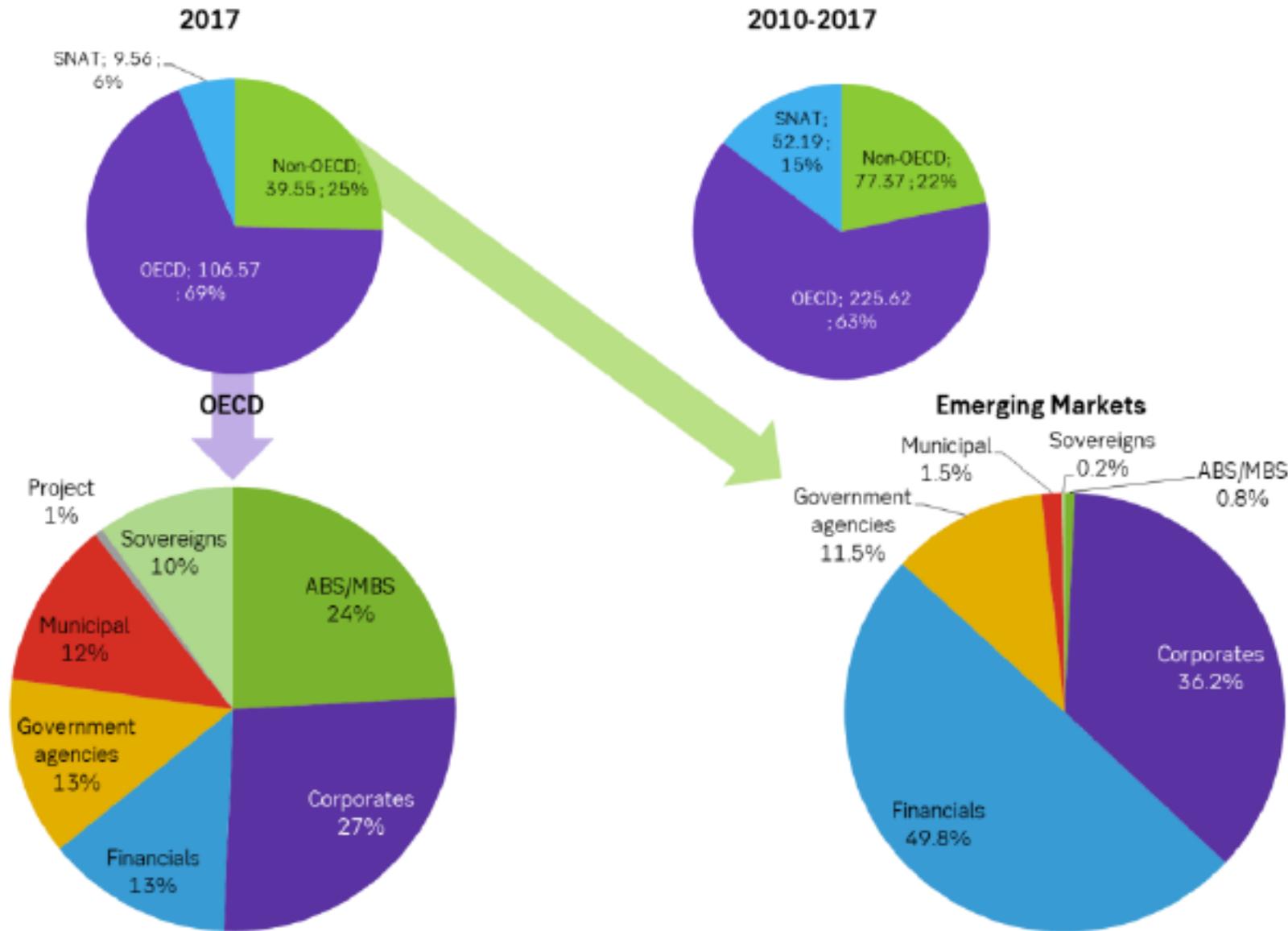
## Climate Portfolio Performance

- NPL is lower compared to other non-green portfolios
- NPL is the same as other non-green portfolios
- NPL is higher compared to other non-green portfolios



Note: Sample of 42 banks

# Financials driving green bond issuance in EM



Source: SEB

# 3. CREATING THE GREEN BOND ASSET CLASS IN EMERGING MARKET



*Creating Markets, Creating Opportunities*

# Creating Demand



## Unlocking green bonds in Emerging Markets

- Climate Change is one of the biggest challenges of the 21<sup>st</sup> century and expanding financing for climate investment a key priority.
- **Green Bonds** have become an effective way to channel capital towards the energy transition and the global market for **Green Bonds** has grown rapidly.
- But huge gaps persist in emerging markets where financing needs related to the energy transition are tremendous.

## IFC & Amundi value proposition – Amundi Planet Emerging Green One

(The Fund closed on Feb 28, 2018)

- Strategy: **stimulate demand and supply of green financing**
- Largest EM GB Fund: USD 1.4bn delivering USD 2bn over 7y life
- Portfolio management experience in EM: Amundi
- DM co-investors like EM debt premium + environmental impact
- IFC first-loss buffer brings EM bonds within DM co-investor risk limits
- Exceptional support package to build issuance:  
IFC share expertise in climate finance, EM & Green Bonds

# Amundi Planet EGO Fund - Layered Fund Concept

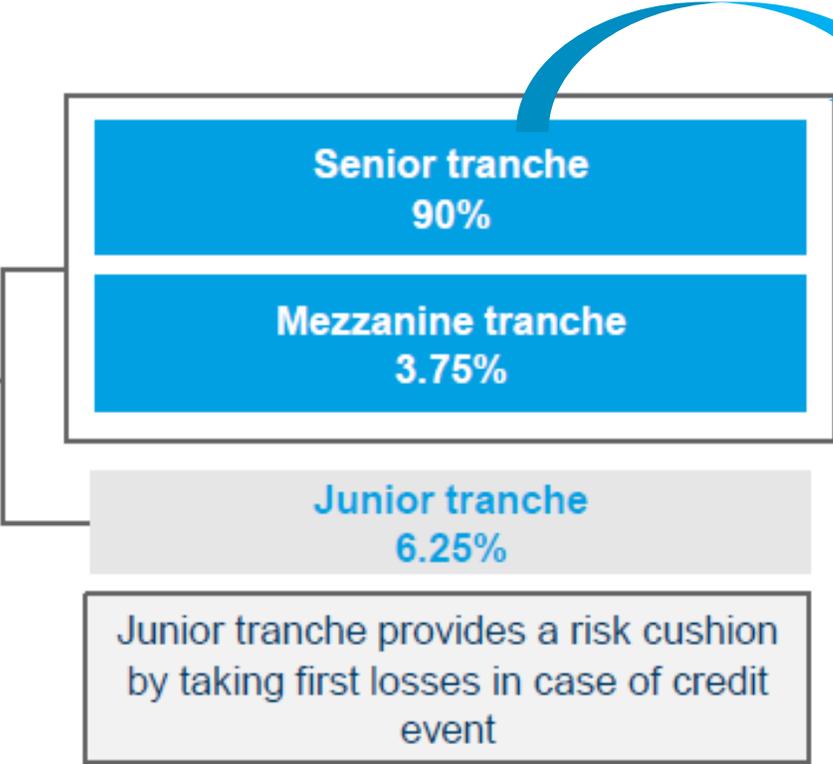
- Portfolio =[5.0%] expected yield
- Indicative portfolio rating: [BB+]
- 12 year expected horizon

Selected green bonds



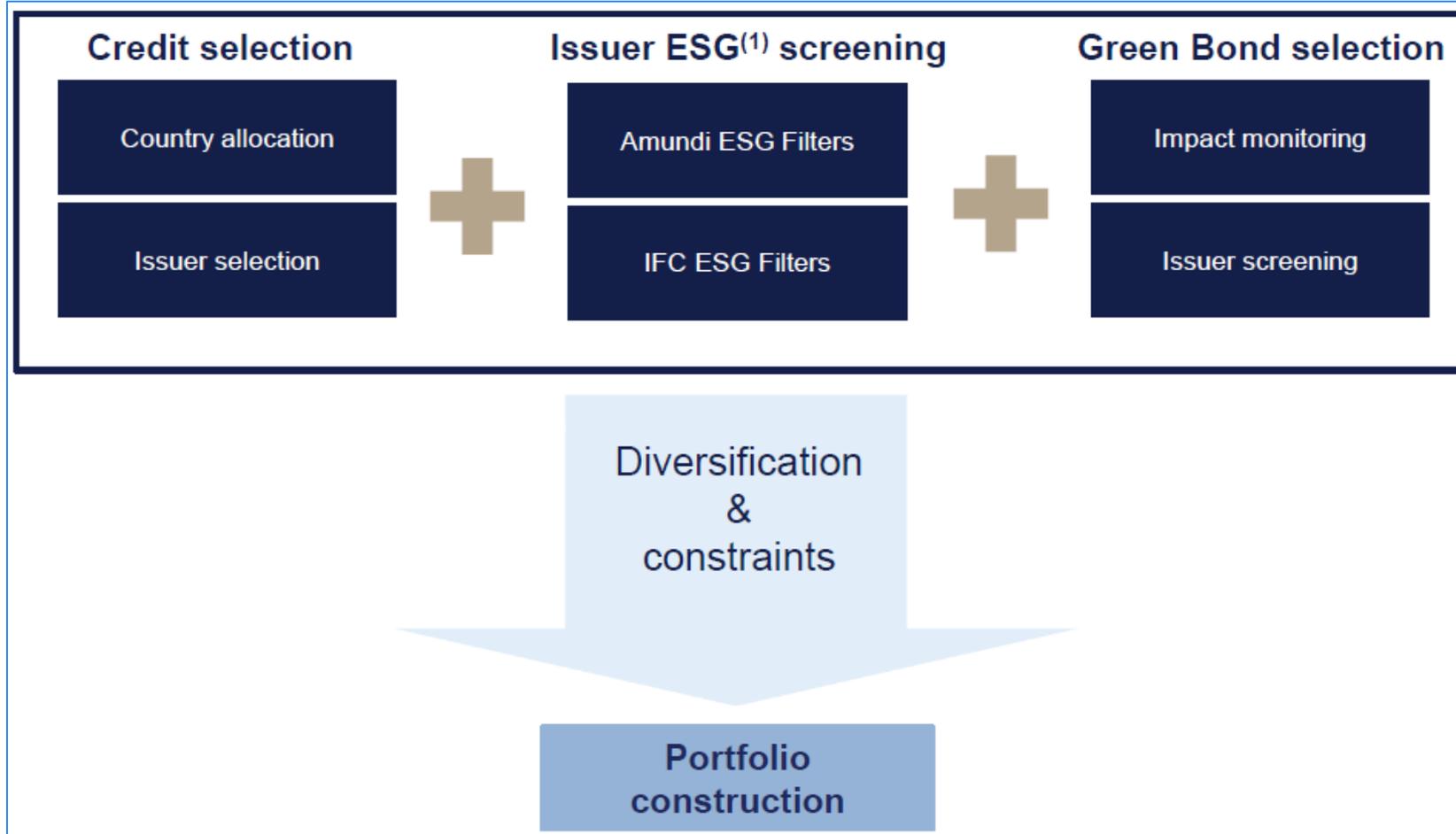
Green bond issuance

Emerging market financial institutions



Investors in Senior tranche benefit from 10% first loss protection on credit losses on portfolio

# Amundi Planet EGO Fund – 3 Eligibility Criteria Filters for Bonds to be Eligible for the Fund’s Investments



(1) Environmental, Social and Governance

# Stimulating Supply via IFC's Technical Assistance

IFC developing technical assistance program to stimulate supply and support quality

Existing Initiative: Capacity Building - Executive Education

- **Pilot Case in Building Sector:** Leading climate investment potential in Emerging Market Asia
- **Output: “Green bonds for green buildings” workshops** October 2018, Singapore
  - **First green bond education with strong sectoral focus**
  - **Over-subscribed** – close to 100 delegates
  - Strong partners: ICMA / Green Bond Principles Secretariat Education Team, Monetary Authority of Singapore, Swiss and Luxembourg official donor
  - **Market insight:** Powerful range of guest speakers
- **Benefits:**
  - **Evidence of new issuance** by attendees
  - **Paves way for wider rollout: Emerging Market Asia a key source** of potential
  - **Partnerships:** Explore more diverse partnerships with market participants
  - **Supports market players** in on-boarding green bond clients / accelerating deal-flow

**Further Technical Assistance initiatives under consideration include**

- Strengthen understanding of sustainability among EM financial execs
- Enhance local external review delivery

# Benefits to Issuers

## Green bonds as a strategic tool for the climate & finance transition

- **Enhancement of Franchise value** by sending a strong signal to the market on commitment to climate action – **mitigate risk / seize opportunity**
- Issuing green bonds with **credible partners crowd in other private capital**
- **Tapping a wider ESG investor base - going mainstream**
- **SDG compatible** – mapping by GBP / SBP in 2018
- **Managing inevitable climate transition better** - greater firm focus on environmental finance improves internal **synergies between financial and sustainability functions**
- Establishment of improved **monitoring and reporting** requirements to **better capture positive impacts** of the institution's environmental finance activities
- Over time, increased demand **may eventually drive favorable terms and a better price for the issuers**

# Questions

1) What will move Japanese Investors in favor of investment opportunities like EGO Fund?

「日本の投資家がEGO Fundのようなファンドに投資意欲を持つには、何が変わる必要があるのか？」

2) What are the Road Blocks to encourage Japanese investors' investments?

「このようなファンドに投資するにあたって、何が障害となっているのか？」

# Disclaimer

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Internet: [www.ifc.org](http://www.ifc.org)

# Update for JSDA SDG Committee

12 December 2018  
Tokyo



# 3. Appendix – Market Evolution



### 3. Market Evolution

#### Broader ESG trend underpins growth in allocations to green & social bonds

- 61% of investors and 48% of companies globally have an environment, social and governance (ESG) strategy (source: HSBC / Environmental Finance, 2018)
- COP 24: \$32 trn in AuM call for greater government action on climate
- AuM in dedicated Green Bond funds doubled in 18 months to [end Q3 18]

#### Historical investor data by geography

**Table 1: Growth of SRI Assets by Region 2014–2016**

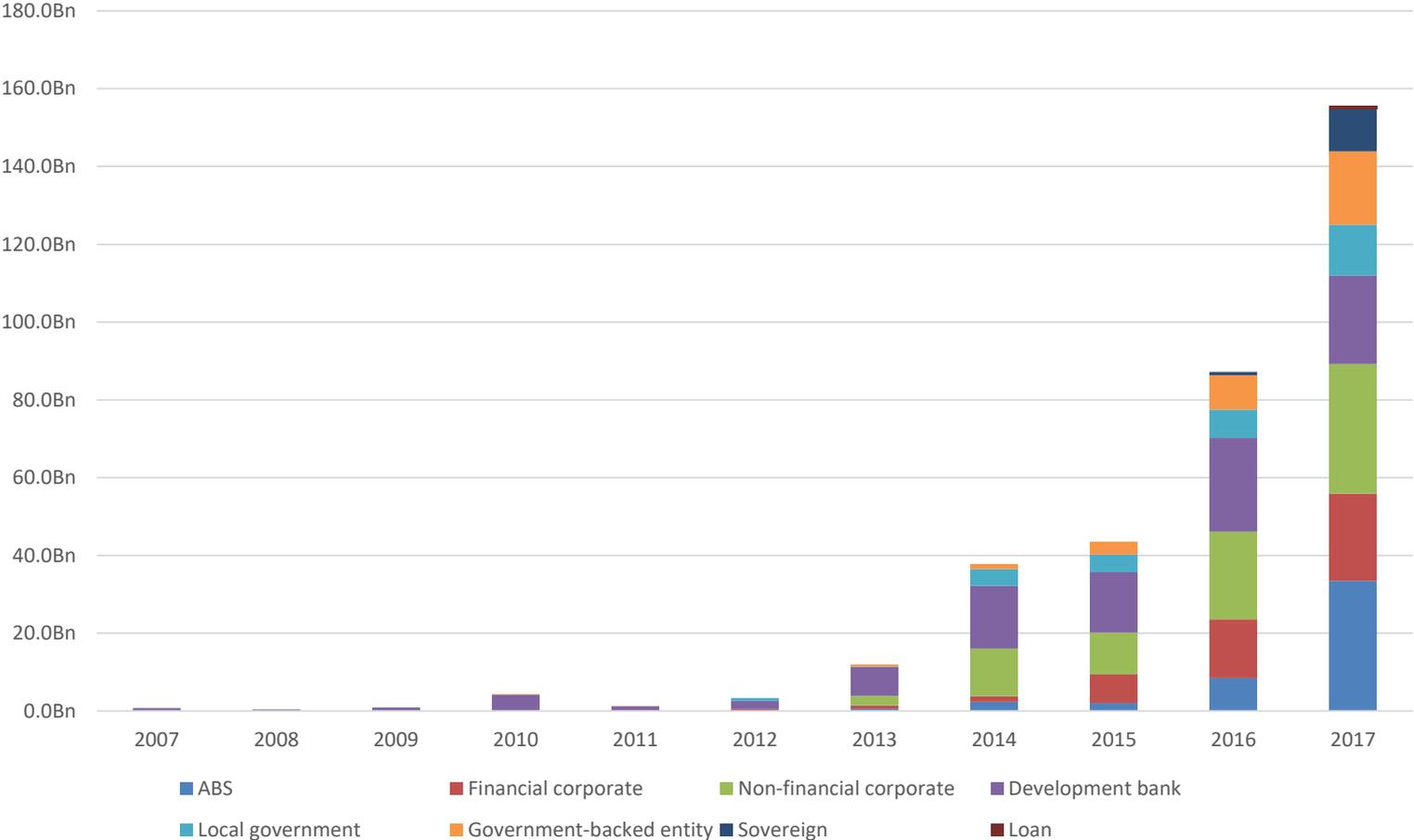
Region	2014	2016	Growth over period	Compound Annual Growth Rate
Europe	\$ 10,775	\$ 12,040	11.7%	5.7%
United States	\$ 6,572	\$ 8,723	32.7%	15.2%
Canada	\$ 729	\$ 1,086	49.0%	22.0%
Australia/New Zealand	\$ 148	\$ 516	247.5%	86.4%
Asia ex Japan	\$ 45	\$ 52	15.7%	7.6%
Japan	\$ 7	\$ 474	6689.6%	724.0%
<b>Total</b>	<b>\$ 18,276</b>	<b>\$ 22,890</b>	<b>25.2%</b>	<b>11.9%</b>

Source: Global Sustainable Investment Alliance, US\$bn

# 3. Market Evolution

## Issuance Growth & Diversification

Annual Issuance – by Issuer Type



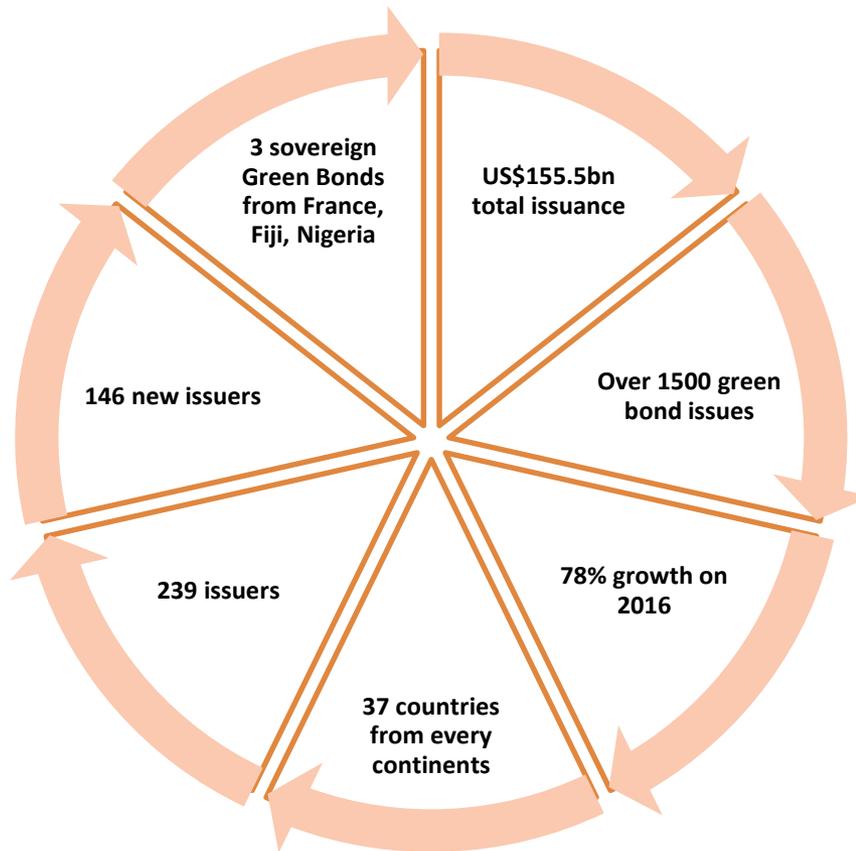
Source: CBI

### 3. Market Evolution

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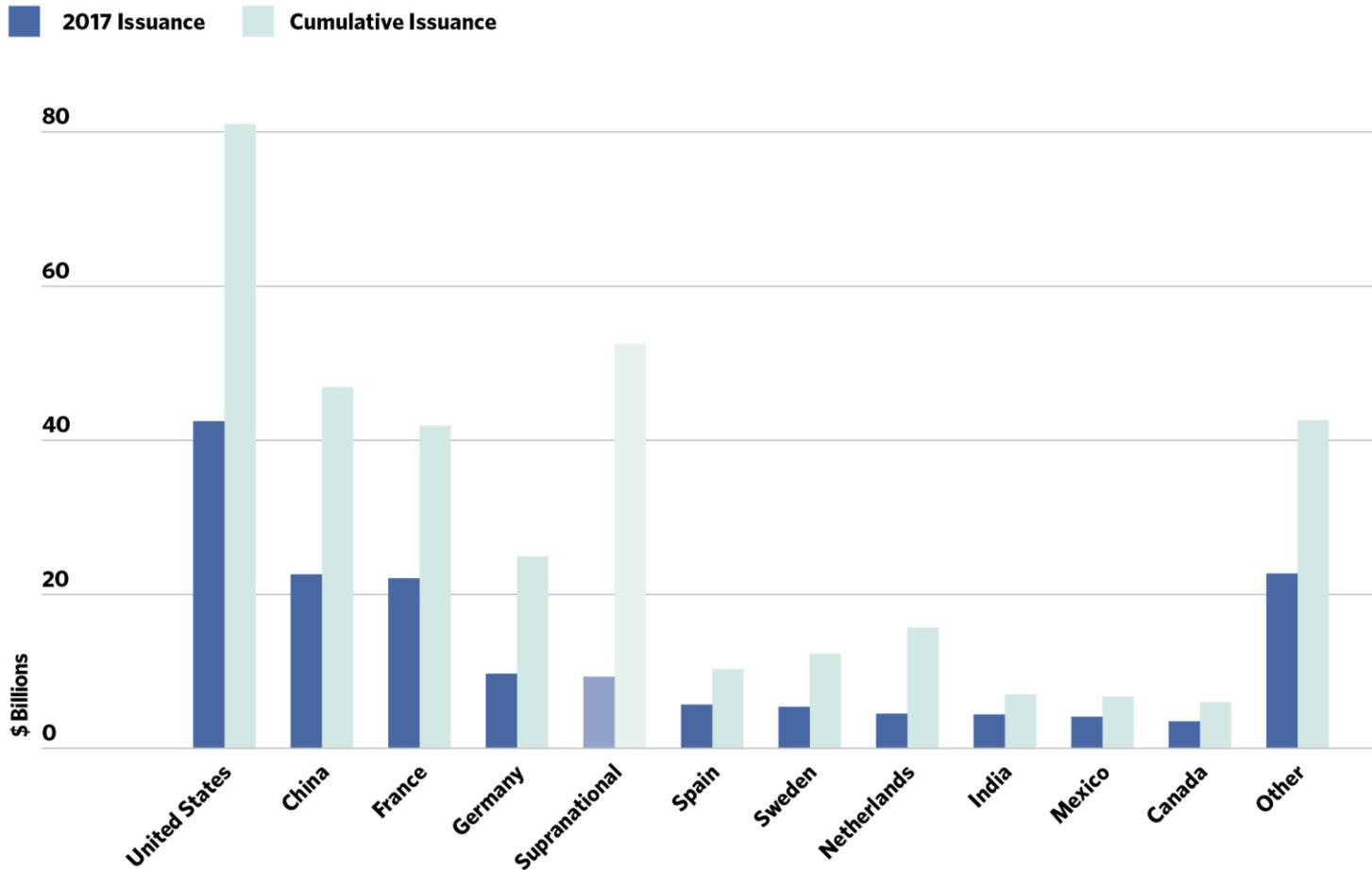
## Issuance Growth & Diversification

### 2017 Highlights



### 3. Market Evolution

#### The World gets involved

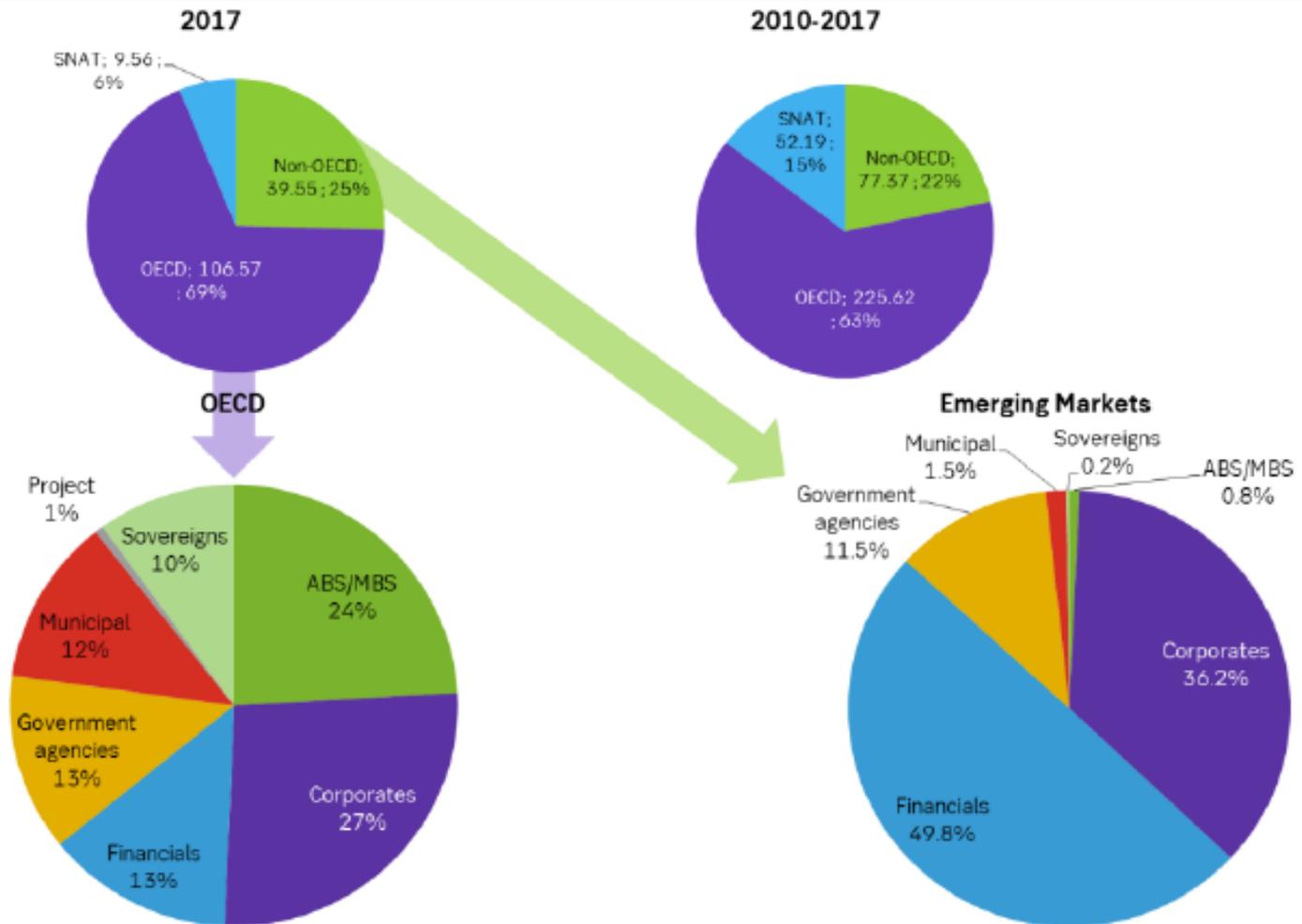


December 2017

Source: CBI

### 3. Market Evolution

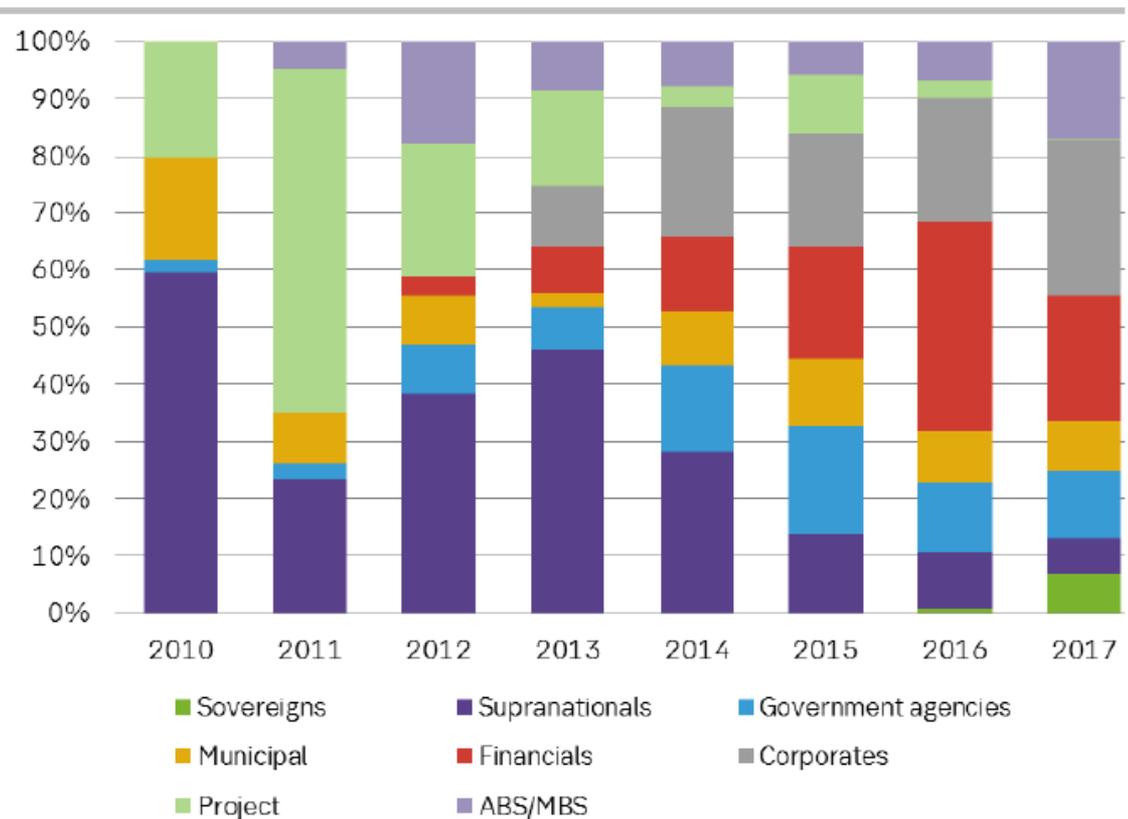
#### Distribution by type of issuer: OECD vs EM



Source: SEB

### 3. Market Evolution

#### Issuers: Analysis by Type

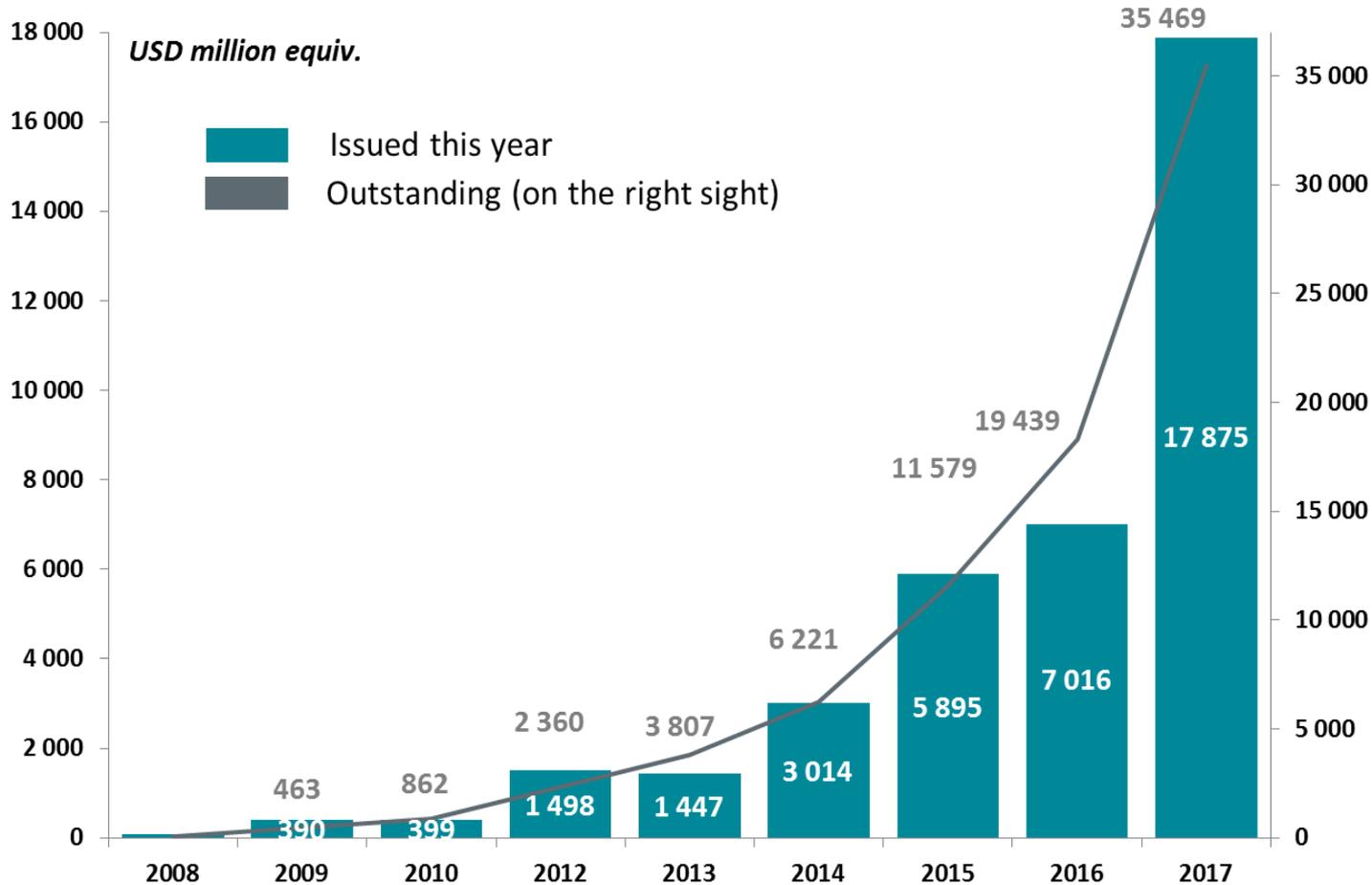


Source: SEB/BNEF Dec 2017

Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through December 19.

### 3. Market Evolution

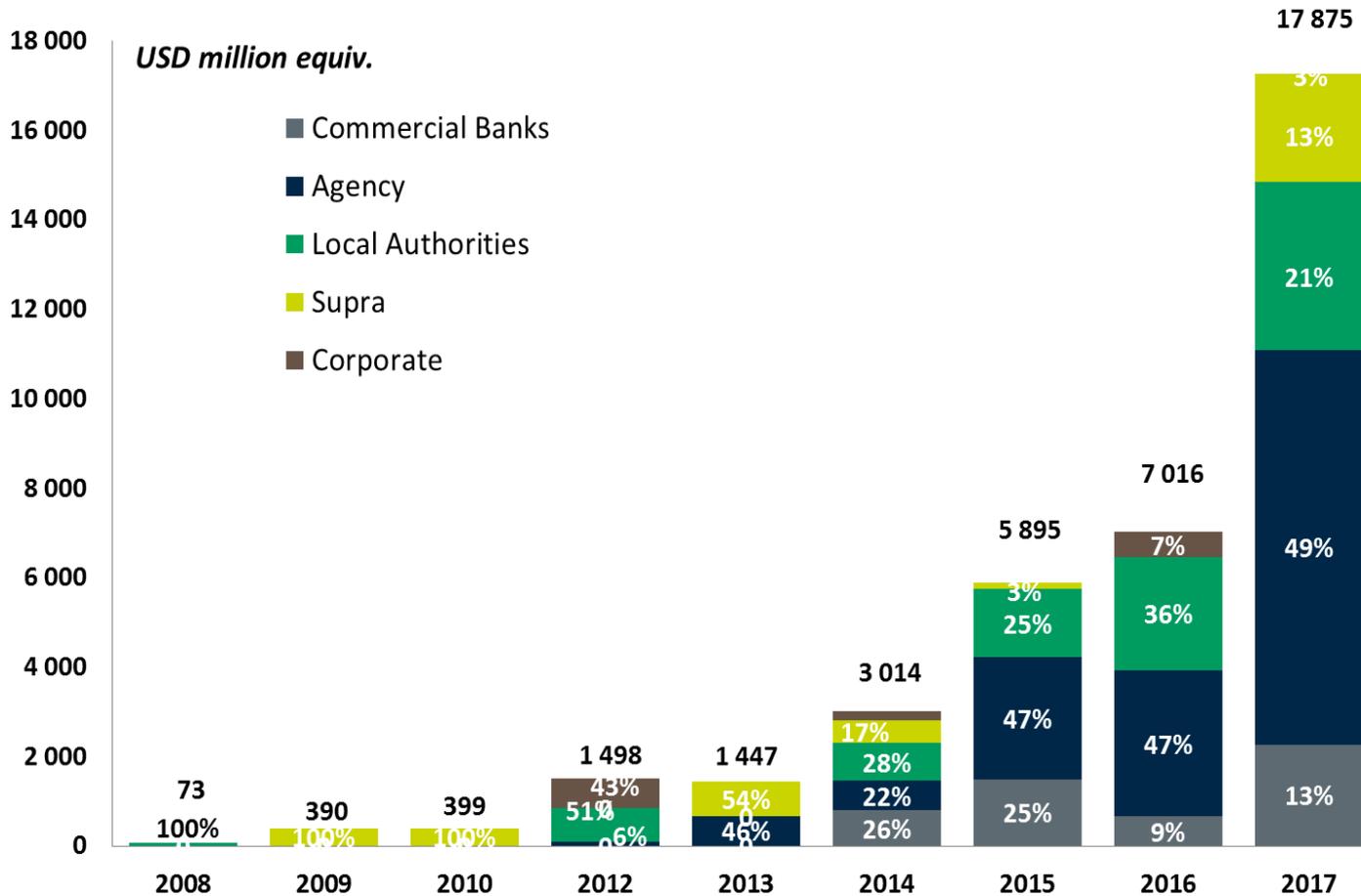
#### Issuance Growth – social and sustainability bonds (only)



Source: Bloomberg, Crédit Agricole CIB (As of December 31st 2017)

### 3. Market Evolution

#### Issuer diversification – social & sustainable bonds

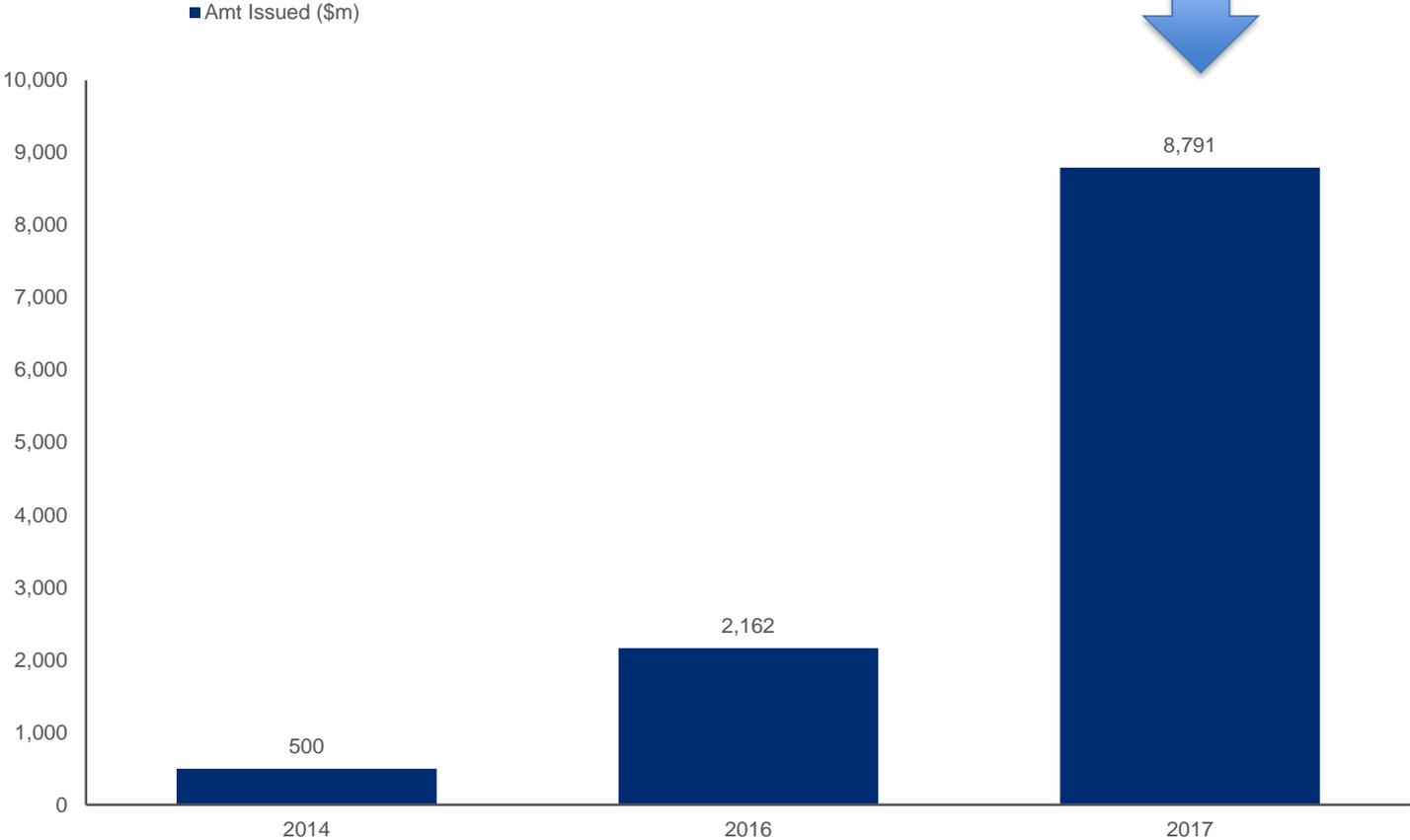


Source: Bloomberg, Crédit Agricole CIB (As of December 31st 2017)

# 3. Market Evolution

## Social Bond Issuance

ICMA Social Bond Principles Launched



Source: Citi

### 3. Market Evolution

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#### Environmental & Social factors in Credit Risk

Moody's (Sept. 2018 update): Environmental "heat map"

- Assessment of 84 sectors / \$74.6trn in rated debt (universe +10% yoy) for credit exposure to environmental risks
- 11 sectors (\$2.2trn in rated debt) with elevated credit exposure to environment risks (+10% yoy)
- 16 sectors with "very high" or "high" exposure to carbon regulation
- 13 sectors with "very high" or "high" exposure to air pollution – susceptible to more stringent enforcement

S&P: Social and Environmental factors may lead to rating actions

- Between mid-2015 and mid-2017: 346 ratings in which social risks were an important factor, 42 in which those risks were key to a rating action
- Social factors contributed *less* frequently to rating actions than did environmental and climate factors

Sources: Moody's, S&P

### 3. Market Evolution

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#### Making the case - Potential for superior risk-adjusted returns

Risk Return (3 years ending October 2017)	BARCLAYS GLOBAL AGGREGATE (HEDGED IN EUR) RI (100 %)	BLOOMBERG BARCLAYS MSCI GLOBAL GREEN BOND INDEX (EUR HGD)
Annualised Return p.a.	1.88%	2.11%
Annualised Volatility p.a.	2.73%	2.80%
Sharpe Ratio	0.69	0.75

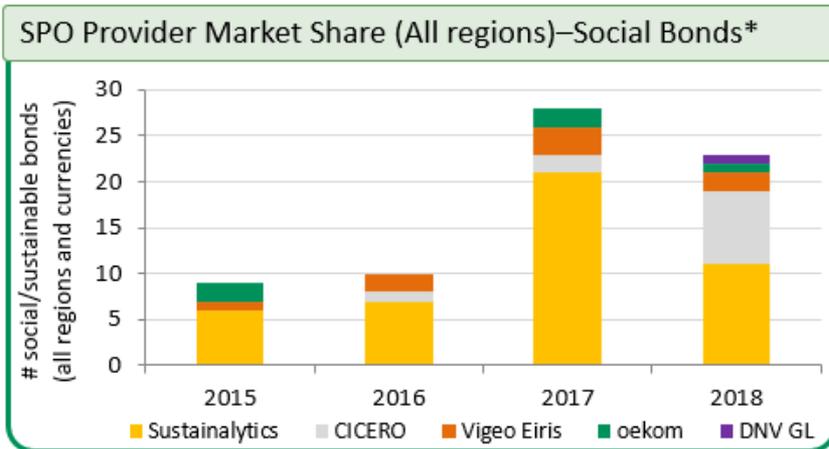
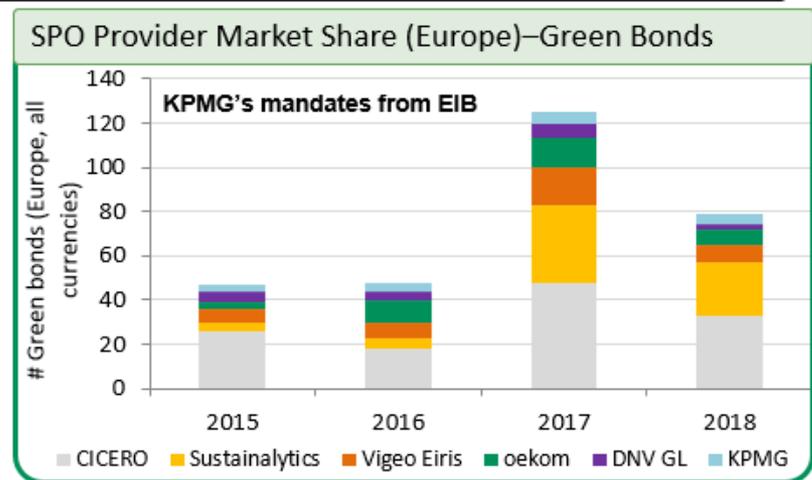
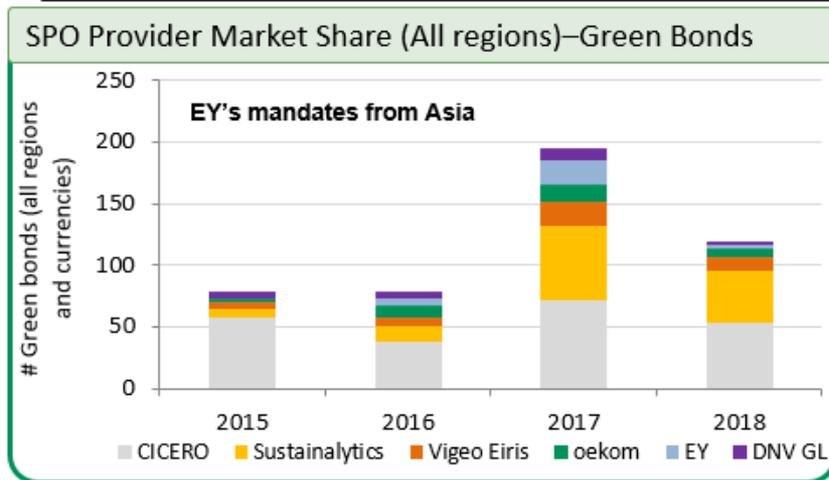
Source: BNPP Securities Services



**BNP PARIBAS**

### 3. Market Evolution

## External reviewer market share and decision factors – BNP Paribas Example



- BNPP chose the second party opinion provider based on a number of factors:
- General credentials
  - Specific strengths (i.e. a strong provider for Green or Social bonds)
  - Experience providing the verification service for comparable issuers
  - What added extra can the second opinion provider offer BNPP on the transaction
  - Capability to complete annual reporting on use of proceeds, if chosen
  - The second opinion provider's commitment to the sustainability space. Are interests aligned?

\*Social bonds include sustainable bonds

# 4. Appendix – Governance Initiatives



## 4. Governance

### Examples of guidance

<b>ASEAN</b>	<ul style="list-style-type: none"><li>• ASEAN Capital Markets Forum (ACMF) Launch ASEAN Green Bond Standards to drive Sustainable Investments for <a href="#">ASEAN Green Bonds</a> aligned with the GBP (Nov 2017)</li></ul>
<b>China</b>	<ul style="list-style-type: none"><li>• <b>China</b> has released <a href="#">Government guidelines</a> largely based on international market practices referring to the GBP and with an official green taxonomy</li></ul>
<b>EU</b>	<ul style="list-style-type: none"><li>• The <b>European Union</b> created a <b>High Level Expert Group (HLEG)</b> on sustainable finance that has made <a href="#">recommendations</a> such as an EU sustainable taxonomy and a Green Bond standard that references the GBP (Jan 2018)</li></ul>
<b>India</b>	<ul style="list-style-type: none"><li>• The Securities Exchange Board of <b>India</b> has released <a href="#">listing disclosure requirements</a> for Green Bonds based on the GBP and international market practice</li></ul>
<b>Japan</b>	<ul style="list-style-type: none"><li>• <b>Japan</b> released <a href="#">Green Bond guidelines</a> in March 2017 following an extensive consultation process. Closely aligned with GBP. Adds details on project categories.</li></ul>

## 4. Governance

### Comparison of official GB regulations and guidelines

	ASEAN	China	India	Japan	EU HLEG proposal
<b>Scope</b>	<ul style="list-style-type: none"> <li>Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Regulation</li> </ul>	<ul style="list-style-type: none"> <li>Regulation (listing requirements)</li> </ul>	<ul style="list-style-type: none"> <li>Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Regulation</li> </ul>
<b>4 core components of GBP</b>	✓	✓	✓	✓	✓
<b>Taxonomy</b>	<ul style="list-style-type: none"> <li>High level categories</li> </ul>	<ul style="list-style-type: none"> <li>Taxonomy</li> </ul>	<ul style="list-style-type: none"> <li>High level categories</li> </ul>	<ul style="list-style-type: none"> <li>Detailed project categories</li> </ul>	<ul style="list-style-type: none"> <li>EU Taxonomy</li> </ul>
<b>Incentives &amp; Support</b>	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>Yes, comprehensive incentives</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>Financial aid</li> <li>Platform to publicise and inform</li> </ul>	<ul style="list-style-type: none"> <li>Optional</li> </ul>
<b>Verification</b>	<ul style="list-style-type: none"> <li>Recommended</li> </ul>	<ul style="list-style-type: none"> <li>Strongly recommended</li> </ul>	<ul style="list-style-type: none"> <li>Recommended</li> </ul>	<ul style="list-style-type: none"> <li>Recommended</li> </ul>	<ul style="list-style-type: none"> <li>Obligatory with verifier scheme</li> </ul>

## 4. Governance

### Japan MoE guidance (2017): valuable interpretation of GBP, model cases

# Key points of the Green Bond Guidelines 2017

## 2. Consistency with the Green Bond Principles (GBP)

- The Guidelines have been formulated with due consideration to consistency with the contents of GBP.
- Bonds that meet all requirements provided in the sentences with the word “should” would be considered internationally recognized as Green Bonds.

### The Guidelines' structure

- Chapter 1: Introduction
- Chapter 2: Overview of Green Bonds
- Chapter 3: Elements which Green Bonds are expected to have and examples of possible approaches
  1. Use of proceeds
  2. Process for project evaluation and selection
  3. Management of proceeds
  4. Reporting
  5. External review
- Chapter 4: Model cases
- Chapter 5: Revisions of the Guidelines

Elements are sorted as follows, and detailed approaches are indicated.

- ✓ **Elements described with the word “should”**  
... Basic elements that bonds labeled as Green Bonds are expected to have
- ✓ **“Recommended” elements**  
... Elements that are recommended for Green Bonds
- ✓ **Elements “to be considered”**  
... Examples and interpretations

## 4. Governance

### Japan MoE guidance (2017): Useful impact reporting suggestions

- Also addresses sectoral gaps in GBP impact reporting guide (more sectors in future)
- Example:

Climate Change Adaptation	Area of a forest or a watershed managed in a sustainable manner (ha)	Area of a forest or a watershed managed in a sustainable manner (ha)
	Area of wetted surface reduced (ha)	Reduction in the estimated area of wetted surface in the event of heavy rain from the project implementation (ha)
Environmentally-Friendly Products, Manufacturing Technologies, and Processes	Reduction in CO <sub>2</sub> emissions per ton of products (t-CO <sub>2</sub> /t)	Calculate by comparing CO <sub>2</sub> emissions/ton of products (CO <sub>2</sub> emissions (t-CO <sub>2</sub> ) ÷ production volume (t)) before and after the implementation of the project
	Amount of raw materials reduced (t)	Calculate by comparing the raw materials used (t) before and after the implementation of the project

## 4. Governance

### Japan MoE guidance (2017): Useful local calculation references

Example:

1. Cases where the reduction in CO <sub>2</sub> emissions serves as an indicator of environmental benefits from solar power generation projects	
Precondition	<ul style="list-style-type: none"> <li>Use the average CO<sub>2</sub> emissions coefficient from all power sources at a project site as the electricity-related CO<sub>2</sub> emissions coefficient. For example, if a project site is within the service area of Shikoku Electric Power Co., Inc., the emissions coefficient is 0.651 t-CO<sub>2</sub>/MWh. (“Emissions coefficients by electric power suppliers - Performance in 2015” posted on the official website of the Ministry of the Environment)</li> <li>Annual energy generation: 2,000 MWh/year</li> <li>Annual power consumption by auxiliary equipment: 10 MWh/year</li> </ul>
Calculation method referenced	Rules for the green-energy-based CO <sub>2</sub> Reductions Certification System (Posted on the official websites of the Agency for Natural Resources and Energy and the Ministry of the Environment)
Calculation formula	Reduction in CO <sub>2</sub> emissions = (annual energy generation - annual power consumption by auxiliary equipment) x electricity-related CO <sub>2</sub> emissions coefficient (2,000 MWh/year - 10 MWh/year) x 0.651 t-CO <sub>2</sub> /MWh = 1,295 t-CO <sub>2</sub> /year

## 4. Governance

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### Governance in Asia – green bonds part of wider trend

Country	Banking Initiative
China	Green Credit Guidelines (2012)
India	Responsible Finance Guidelines (2015)
Indonesia	Roadmap (2014)/ 8 leading bank commitments
Japan	Financial Action Principles (2012)
Malaysia	Sustainable and Responsible Investment (SRI) Sukuk framework (2014)
Singapore	ABS Guidelines on Responsible Financing (2015)
Taiwan	Green Finance action plan (2017)
Vietnam	Directive on Promoting Green Credit (2015)

Source: Asia Research and Engagement

## 4. Governance

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### Governance in Asia – green bonds part of wider trend

Country	Stewardship Code	ESG Disclosure Requirement
China	-	Central SOEs
Hong Kong	Principles for Responsible Ownership	Listing rule
India	SEBI voting guidelines	SEBI rule
Indonesia	-	Company law
Japan	Principles for Responsible Institutional Investors	Environment Ministry – Reporting guidelines
Malaysia	Malaysian Code for Institutional Investors	Listing rule
The Philippines	-	Guideline only
Singapore	Singapore Stewardship Principles	Listing rule
South Korea	Stewardship Code	National regulation
Taiwan	Stewardship Principles for Institutional Investors	Large/ high risk companies
Thailand	Investment Governance Code	Listing rule
Vietnam	-	Listing rule (HCM)/ Guideline only (Hanoi)

Source: Asia Research and Engagement



# Update for JSDA SDG Committee

12 December 2018  
Tokyo

# 1. Market context

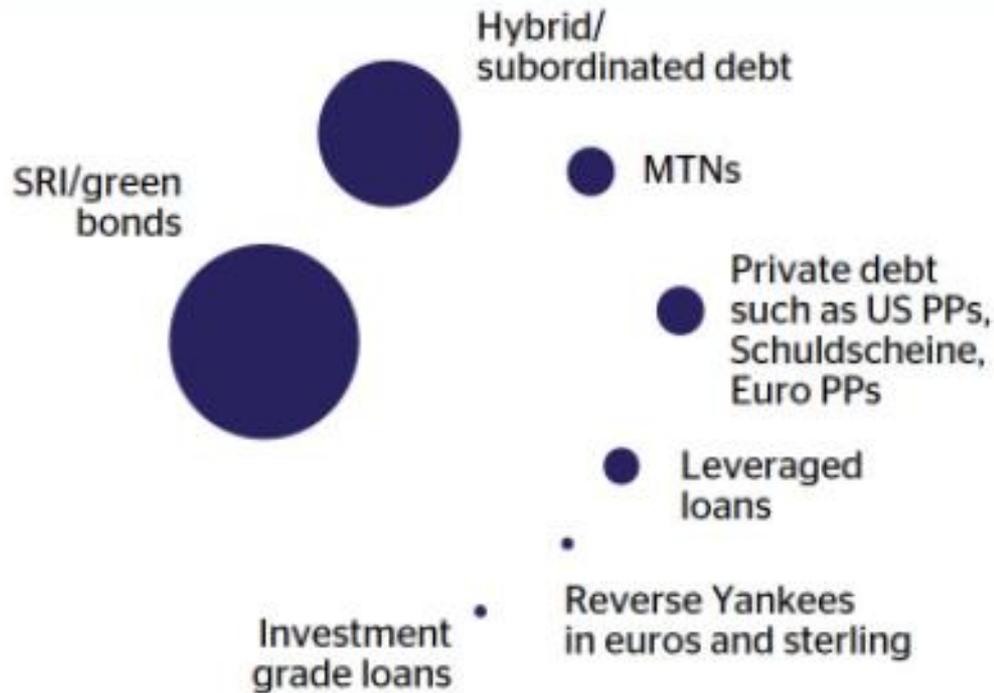


# 1. Market context

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## Importance of Green Bonds to primary bond market

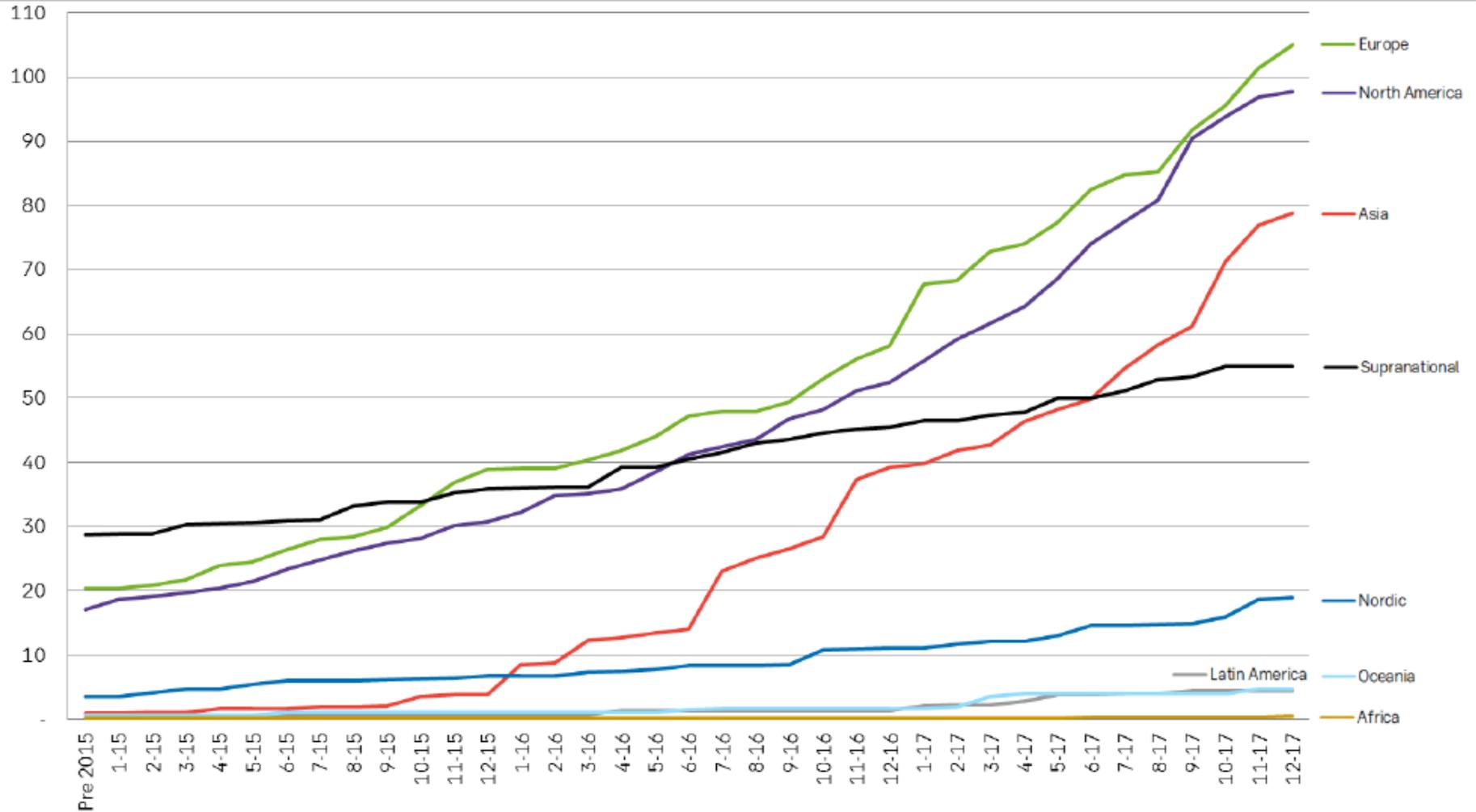
Which products are you most optimistic about by volume?



Source: GlobalCapital Survey of 20 DCM Heads, December 2017

# 1. Market context

## Growth by Geography (2015-2017 USDbn)



Source: SEB analysis based on Bloomberg and SEB data

# 1. Market context

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## 2018 YTD

- Record monthly issuance \$32bn Nov 2018
- Green, Social & Sustainability bond issuance:
  - \$173bn (at 23.11.18) vs. \$175bn (11/2017)
- Influence of challenging bond market conditions
- Green bid robust
  - Syndicates may favour green vs generic
- Shift from Green to Social and Sustainability
  - Green: \$143 billion YTD (2017: \$155 bn)
  - Social & Sustainability: +50% to \$30bn ('17: \$20bn)
    - Of which: Sustainability \$17bn

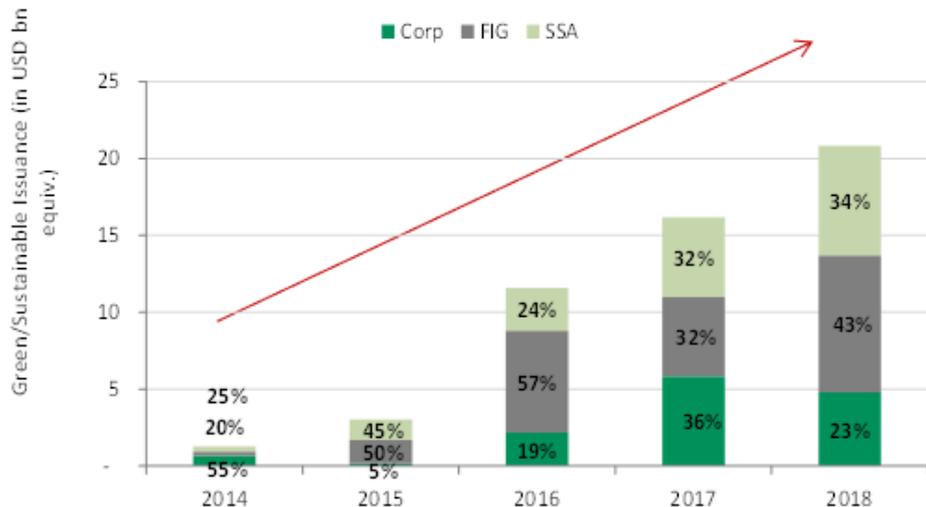
Source: Environmental Finance



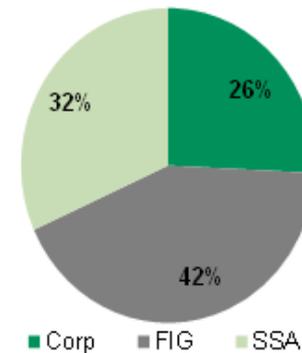
# 1. Market context

## APAC ex-China Issuance trends

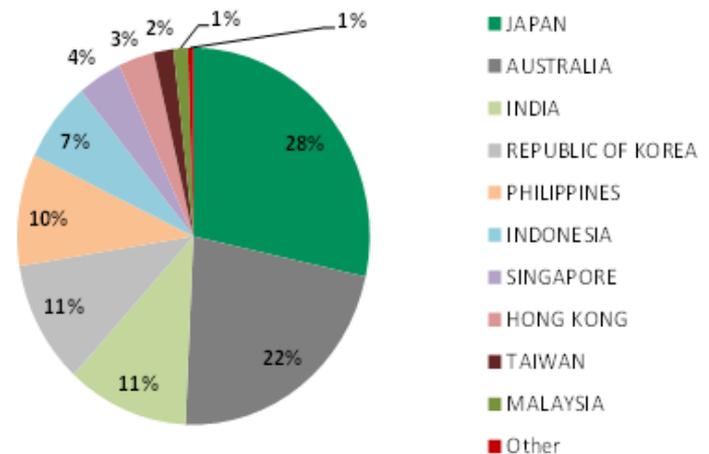
### Asia ex- China Green/Sustainable issuance 2018 YTD\*



### APAC (Ex. China) Sector split 2014-18



### APAC (Ex. China) Regional breakdown 2014-18



- Total issuance for Asia (Ex.China) in Green/Sustainable bonds totals USD 52.9bn Equivalent for 2014-18
  - This is 11% of the total Green/Sustainable bond market issuance since inception in 2007 (490bn)
- Asia (Ex.China) issuance has grown 40% from 2016 to 2017
- Issuance between 2014-18 has been dominated by financial institutions (43%)
- The largest issuer of Green/Sustainable bonds between 2014-18 is Japan at 30% (USD 15.9bn Equiv.)

\*Source: Dealogic as of 28<sup>th</sup> November 2018

Source: BNP Paribas

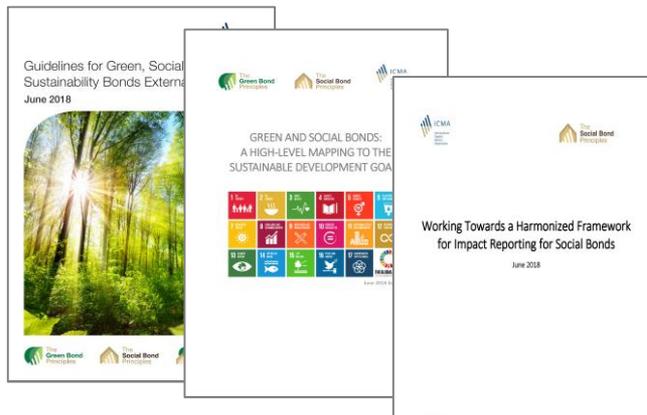
## 2. Updates of The Principles and Related Publications



## 2. Principles Updates

### GBP Update 2018 + New Publications

- **Updated Principles** released: the Green Bond Principles (GBP), the Social Bond Principles (SBP) and the Sustainability Bond Guidelines (SBG).
- Important **new publications**: further strengthen and interconnect market ecosystem
  - **SDG mapping**: High-Level Mapping of project categories to UN's Sustainable Development Goals, recognizing market interest in referencing SDGs
  - **Guidelines for External Reviews**: promoting best practice and integrity in the provision of external review services
  - **Framework for Impact Reporting of Social Bonds**: designed to accelerate progress on impact reporting for social and sustainability bonds
  - **Investor survey**: 51 investors globally / 90% of buy-side Members & Observers

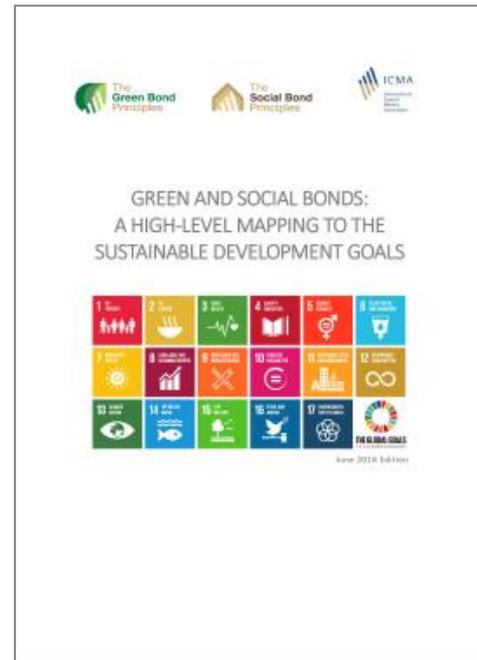


## 2. Principles Updates

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### Pillar 1 – Use of proceeds – SDG mapping (June 2018)

- [Publications](#): Brochure + detailed spreadsheet
- High-Level Mapping of eligible project categories to UN's SDGs
- Mapping is complex: ongoing debate
- Responds to demand from the market
- Approach
  - High level review of 169 targets associated with the 17 goals
  - Identify goals that may be relevant to GBP or SBP project categories
- Thus far, 15 SDGs identified as being relevant to the Principles
- Alignment with SDGs does not automatically ensure alignment with the Principles – bonds must also align with features of GBP
- Principles add transparency and accountability



## 2. Principles Updates

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### Pillar 1 – Use of Proceeds - Investments tied to Green Bonds

#### GBP high-level green definitions (2018 edition)

##### New: Recognition for 5 high-level environmental objectives

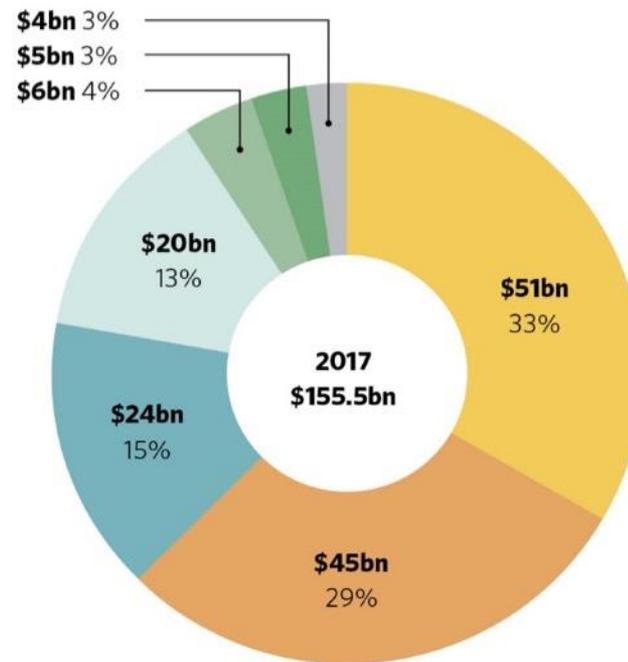
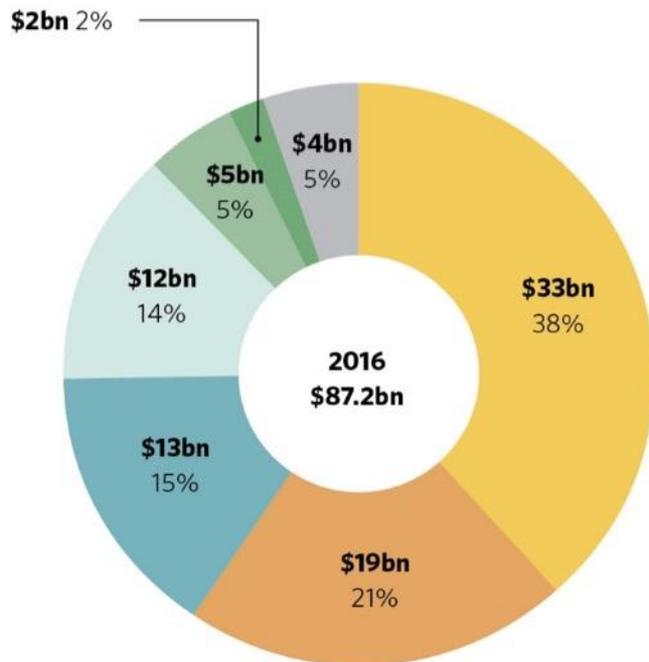
Projects “contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, pollution prevention & control” (previously referred to 4 areas of “concern”)

##### Project categories: Further refined

- **Renewable Energy**
- **Energy Efficiency**
- **Pollution prevention & control**
- Environmentally sustainable management of **living natural resources and land use**
- Terrestrial and aquatic **biodiversity** conservation
- **Clean transportation**
- **Sustainable water and wastewater** management
- Climate change **adaptation**
- **Eco-efficient and/or circular economy** adapted products, production technologies and processes (adding circular economy)
- **Green buildings** (now highlighted as a separate category)

## 2. Principles Updates

### Use of Proceeds – 2017 (Green Bond universe)



December 2017 Source: CBI

## 2. Principles Updates

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### Pillar 4 – Reporting

- **GB Framework:** Summarise alignment with 4 pillars and external review
- **Use of Proceeds reporting:** Annually until full allocation, or if material news
  - **New 2018:** Timely reporting of material developments highlighted
- **Impact reporting:** Forward-looking and if possible backward-looking; qualitative and if possible quantitative; disclose methodology
- **Templates** on Resource Centre
  - Issuer: articular alignment with 4 pillars
  - External review key facts
  - Impact reporting by sector (4 so far) - more sectors coming

## 2. Principles Updates

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### External review – categories evolved in 2018 Principles

#### Second Party Opinion

- Independence
- Verify GBP alignment
- May assess environmental sustainability of projects

#### Verification

- Against designated criteria

#### Certification

- **Standard or label** defines criteria
- **Independent checks**

#### Scoring/Rating

- **Potential data on environmental performance**
- **Distinct from credit ratings**

## 2. Principles Updates

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### Social and sustainability bond governance

- Social Bond Guidance launched in 2016
- **Social Bond Principles (SBP) and Sustainability Bond Guidance (SBG) issued 2017**
- **ASEAN Social and Sustainability Bond Standards launched October 2018** – closely following SBP / SBG, and making explicit exclusions, plus guidance on reporting
- GBP / SBP ExCom leadership - **SBP Working Group**
- **SDGs: Mapping to GBP Use of Proceeds** – building on deal cases
- **Social: Refined definitions** – for target populations in 2018
- **Social Impact Reporting:**
  - **Inaugural Guidance 2018**
  - Broadly reflects principles in green
  - **Recommends clarity on project eligibility** (is it partial?), **impact indicators, indicator methodology, life of impact** / avoid oversimplification
  - **Ongoing work to develop metrics** – beyond nr of beneficiaries

## 2. Principles Updates

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**Social - Pillar 1: Examples of target populations / beneficiaries - With relevance for Impact report / can be counted. Include:**

- Living below the poverty line
- Excluded and/or marginalised populations and /or communities
- Vulnerable groups including as a result of natural disasters
- People with disabilities
- Migrants and /or displaced persons
- Undereducated
- Underserved – lack of quality access to essential goods and services
- Unemployed

Examples of criteria: see Resource Centre

## 2. Related publications – External Review Guidelines

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### Share of GB issuance with external review

- **76%** 2017 (source: CBI / HSBC)

Credentials of reviewers: NEW GBP Disclosure Template

### Guidelines for External Reviews

- **Broad input:** Produced in consultation with over 30 external reviewers
- **Content:**
  - Updated typology of External Reviews
  - Ethical and professional standards
  - Guidance on Organisation and Content
- **Designed to** contribute to integrity of market and to provide further clarity on the role of External Reviews
- **Evidence of effective self-regulation:** market cooperation to promote quality standards



## 2. Related publications – Investor survey

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### **Green, social and sustainable bonds: buy-side opinions**

#### **– 2018 Survey by GBP ExCom supported by ICMA**

- Use of proceeds clarity is a priority, issuer ESG evaluation complementary
- 70% require impact reporting
- 80%+ use GBP/SBP issuer or reviewer templates
- 68% will not buy pure play bonds, if not aligned with the Principles

## 2. Related publications – Index and Database mapping

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### Indices

- **Current focal point:** EC proposals for adjustment of benchmark regs may include low carbon and positive impact categories

### Databases

Recent news: Search tags in BBG

### Updated mapping studies on indices and data:

- **updated H1 2018**
- **Find at: Resource Centre / “Other Resources”**

## 2. Related Publications – official sector

### GBP Use of Proceeds category - leaves room for official guidance

E.g. New Japan MoE guidance, also referring to industry labels

GBP (2018)	Japan MoE (based on GBP 2017 edition)
<p><b>energy efficiency</b> (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);</p>	<p><b>Projects for energy efficiency</b> <b>[Reiterates GBP]</b> (such as in new and refurbished energy efficient buildings, energy storage, district heating, smart grids, appliances and products) <b>[and Elaborates]</b></p> <ul style="list-style-type: none"><li>▪ Projects for the construction of highly energy efficient buildings, including the net zero energy house (ZEH) and net zero energy building (ZEB)</li><li>▪ Projects to renovate offices, plants, and houses for better energy efficiency to gain high-energy performance certifications such as the LEED (Leadership in Energy and Environmental Design), CASBEE (Comprehensive Assessment System for Built Environment Efficiency), or BELS (Building-Housing Energy-efficiency Labeling System) certifications</li><li>▪ Projects to introduce highly energy efficient equipment and facilities into offices, plants, and houses</li><li>▪ Projects to develop and introduce smart grid-related appliances</li></ul>

### 3. Governance and Services news



### 3. Governance

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#### GBP 2018-19 Executive Committee (since June)

Investors	Issuers	Underwriters
<b>ACTIAM*</b>	BANK OF CHINA	BofA MERRILL LYNCH
AMUNDI AM	EDF	<b>BNP PARIBAS</b>
AXA IM	EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT	<b>CREDIT AGRICOLE CIB</b>
<b>BLACKROCK</b>	<b>EUROPEAN INVESTMENT BANK</b>	<b>HSBC</b>
KFW	<b>INTERNATIONAL FINANCE CORPORATION</b>	JP MORGAN
<b>MIROVA</b>	KOMMUNALBANKEN NORWAY	NATIXIS
TIAA-INVESTMENTS	<b>NORDIC INVESTMENT BANK</b>	RABOBANK
<b>ZURICH INSURANCE GROUP</b>	<b>WORLD BANK</b>	<b>SKANDINAVISKA ENSKILDA BANKEN AB</b>

\* **NEW MEMBER**

### 3. Governance

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#### **ExCom Planning & Innovations for 2018-19**

- Extended planning meeting held in September – subsequent update call for Members & Observers
- Consultation feedback will guide approach
- Plans to develop Advisory Committee to enhance representation – also geographic
  - Encourage leading Asian market participants to consider applying
  - Potential approach: Strategic advice to Excom, ?2 main meetings per annum

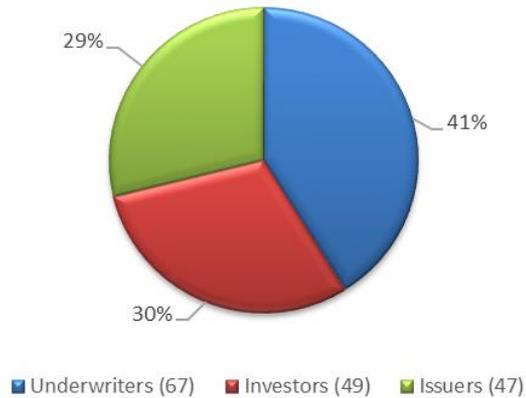
### 3. Governance

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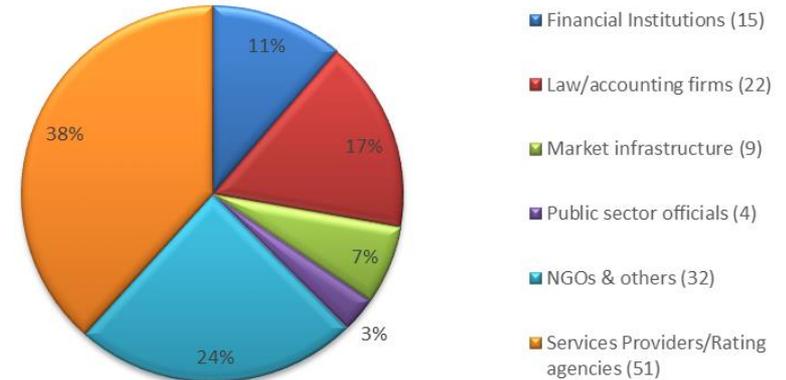
#### Members & Observers

- Nearly 300 Members and Observers vs. 80 in 2014 (status: Oct 2018)

**Members (163)**



**Observers (133)**



### 3. Governance

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Working Group  
Coordinators, Members  
and Terms of Reference  
are published

### 3. Governance

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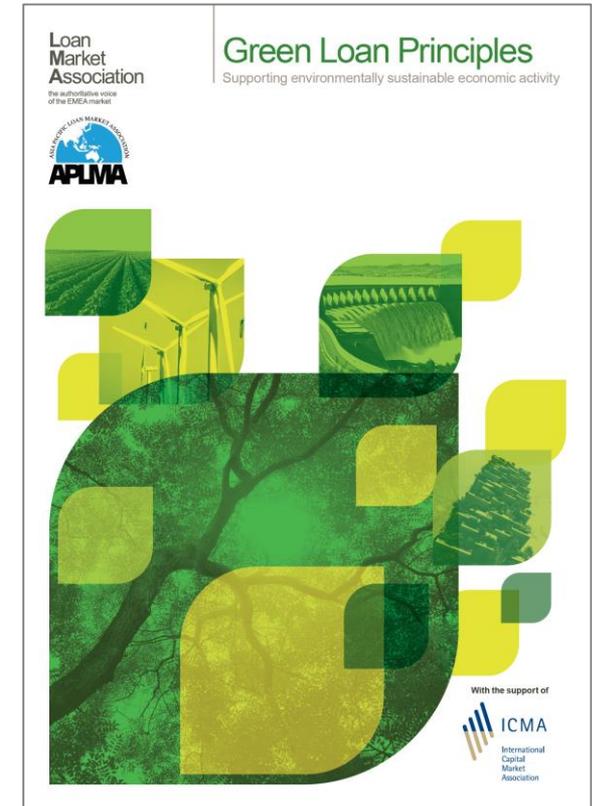
#### Cross-asset initiative prompted by ICMA: Global Green Finance Council

- **Created in 2017 - led to launch of Green Loan Principles in March 2018**
- Objective: bring together market participants and other stakeholders involved in the green financing, represented by associations
- Coordinate efforts to promote green finance, facilitate cross-fertilisation between related markets and asset classes
- Ambition to act as a representative counterparty to the official sector on green finance policy matters.
- The GGFC aims to cover a variety of products including bonds, loans, private debt, equity, asset back securities and hybrid markets.
  - **Green Loan Principles** launch by LMA / APLMA March 2018 – based on GBP



### 3. Governance – Green Loan Principles

- Released by LMA and APLMA with support of ICMA  
March 2018
- Aims
  - To promote consistency within sustainable finance
  - To facilitate capital market refinancing of green loan portfolios
  - Preserving the integrity of the green loan market while it develops
- GLP
  - High-level framework of market standards and guidelines
  - Consistent methodology for use across the wholesale green loan market
  - Build on and refer to the Green Bond Principles
  - Can be applied deal-by-deal around four core components similar to GBP



### 3. Governance

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#### Defining green: Need for greater clarity and completeness

##### *Challenges*

- Need for **consistency of language**
  - EU-China dialogue: EIB and PBoC work on common language
- Complex array of industry- / country-specific green standards
  - E.g. BREEAM for green buildings in UK.
- Lack of complete international standards, usable map of standards
  - Complexity: different country and sectoral priorities and varying methods
  - ISO working group: Seeking harmonization (ICMA & GBP ExCom involved)

##### *Response*

- **ICMA / GBP high level guidance + pointing to relevant definitions**
- Authorities working on policy and/or science-related definitions
  - **China Green Bond Catalogue**
  - **Japan MoE guidance**
  - **EU**: Draft Taxonomy Pt.1 published December 2018
- CBI continue to develop their standard – **Climate Bonds Taxonomy**
- **Useful new reporting guidance for issuers**
  - **E.g. TCFD & SASB**: Task Force on Climate-related Financial Disclosure – materiality and scenario analysis in financial reporting, SASB sustainable accounting guidance

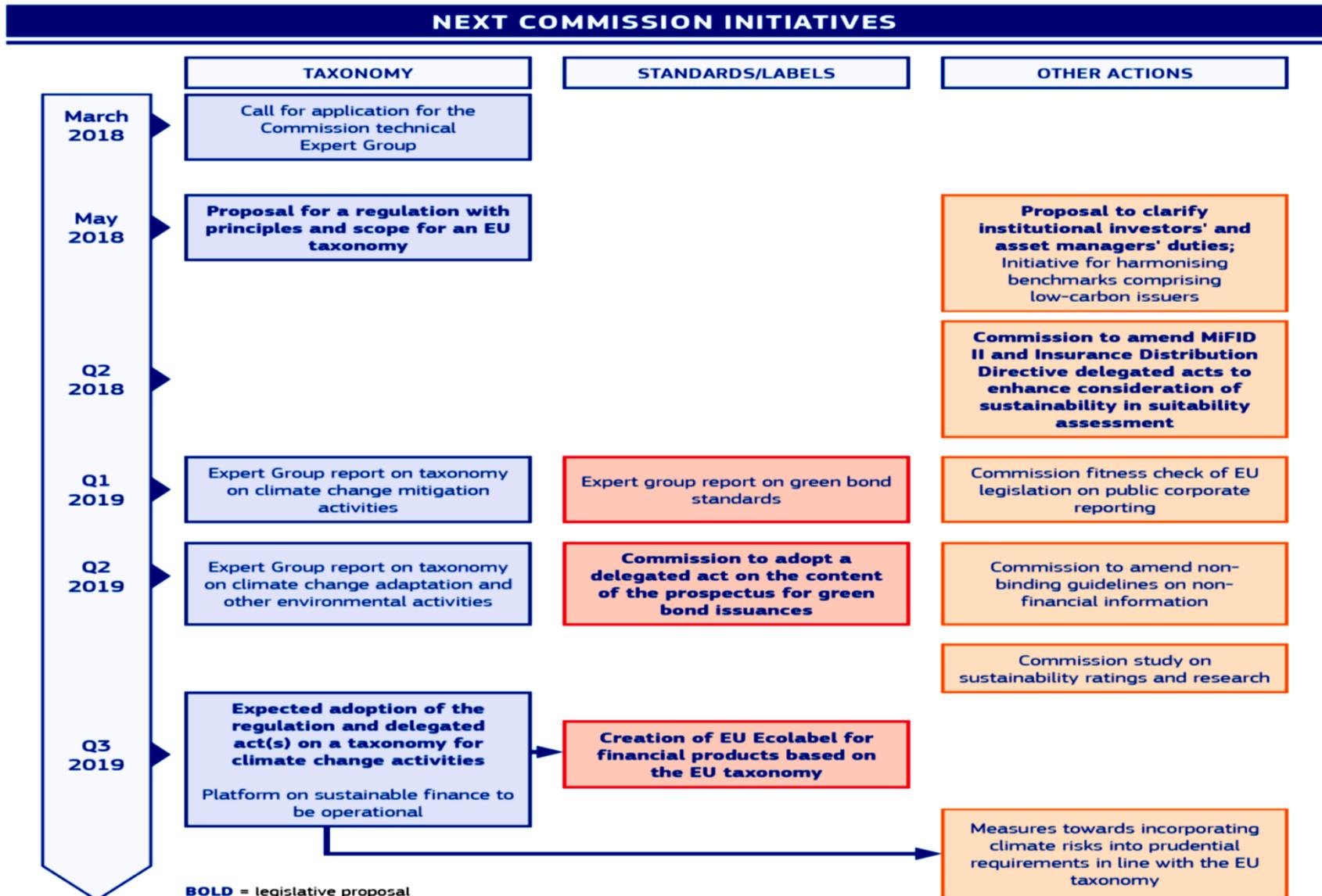
### 3. Governance – update on EU initiatives

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**EC Action Plan (8 March, Appendix 1 for timetable) and Legislative Package (24 May)**

- **EU Technical Expert Group:** ICMA a member. Tasks include taxonomy, GB standard
- **EU Green Bond Standard:**
  - ❑ ***Progress report suggests extensive alignment with GBP***
  - ❑ Could have implications for Prospectus Directive
  - ❑ Designed to work with new EU Taxonomy and could lead to future EU GB Label.
  - ❑ GB Label designed to be voluntary and build on the existing EU Ecolabel
- **Proposals for regulation:**
  - **Taxonomy** (initially for environment), **draft part 1 published for consultation Nov 18**
  - **Disclosures** on sustainable investments and sustainability risks
  - **Benchmarks** – new category: low carbon and positive impact

### 3. Governance – update on EU initiatives



## 3. Services

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### Coverage and services

- Expanded services:
  - Expanded website
  - Enhance International policy and regulatory dialogues (e.g. EC HLEG / TEG, G20) to promote consistency and compatibility with international market practices
  - Planning and co-hosting multiple industry events internationally; GBP AGM more than doubled in attendance since inception – 800 register in Hong Kong; Tokyo event – 600+ registrations
  - New Quarterly Newsletter
- Support maintenance of core texts - “The Principles”: GBP, SBP and SBG
- Monthly/weekly Excom & Steering meetings and calls
- Coordination support for multiple active working groups focused on specific themes
- Quarterly conference calls for Member and Observers

### Voluntary Fee

- Launch in 2018 (€10k)
- Reflects investment by ICMA, growing demand for / range of services

### Mission of ICMA Secretariat

- Align with ICMA mission: promote resilient & well-functioning markets
- Day to day management support for Principles’ operations
- Facilitate collaboration, learning, development of best practice

# ICMA Contacts



## ICMA Contacts

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### **Green / Social Bond Principles Secretariat**

- Nicolas Pfaff, Secretary to GBP/SBP; Peter Munro / Valerie Guillaumin, Directors  
[greenbonds@icmagroup.org](mailto:greenbonds@icmagroup.org)  
[peter.munro@icmagroup.org](mailto:peter.munro@icmagroup.org)

### **Membership and Communications**

- Allan Malvar – Managing Director, Head of Membership, Executive Education and Corporate Communications  
[allan.malvar@icmagroup.org](mailto:allan.malvar@icmagroup.org)

# Status of deliberations and discussions, etc. of the Subcommittee on Ending Poverty/Starvation and Protecting the Global Environment

December 12, 2018

Japan Securities Dealers Association

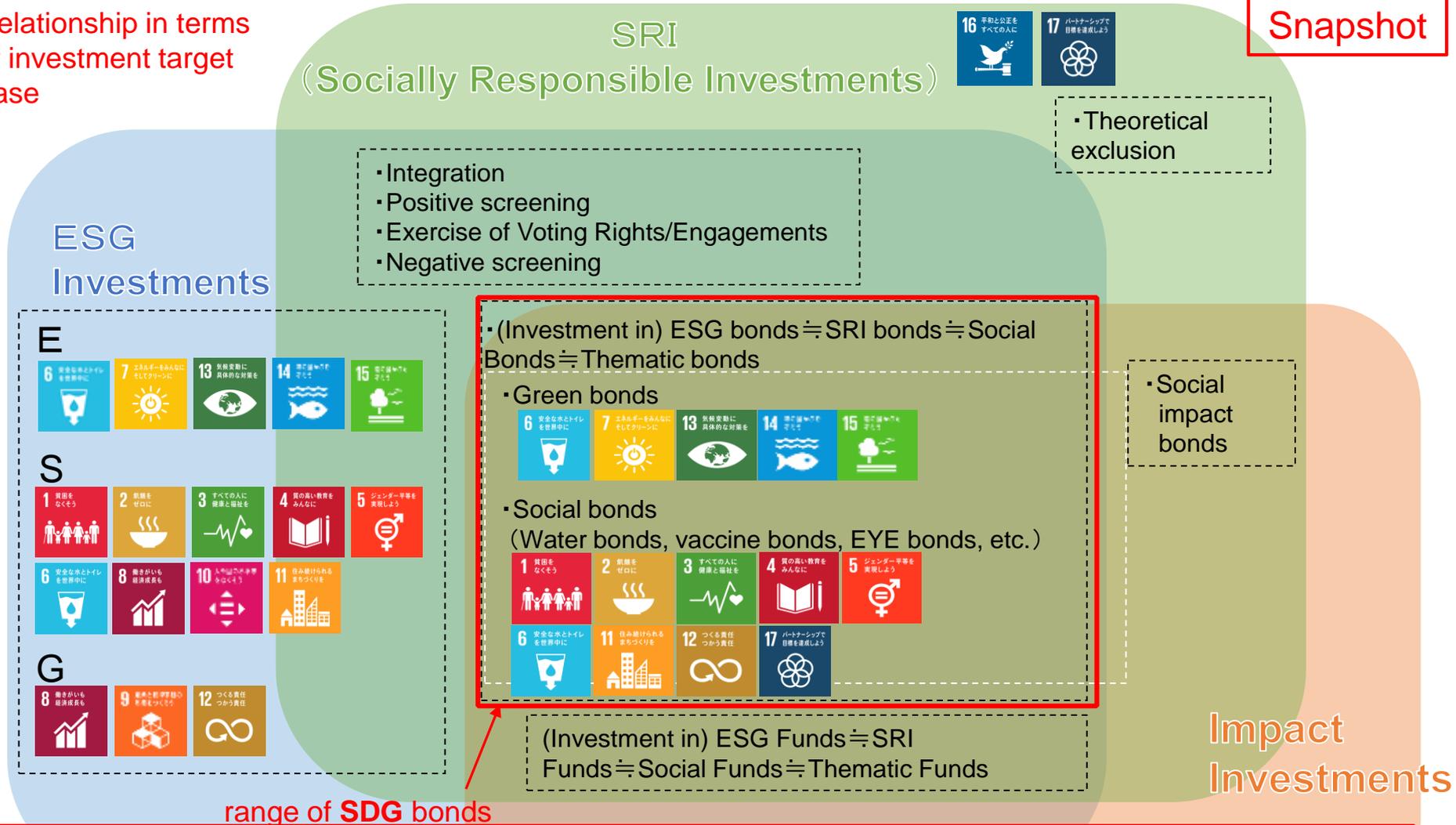


# Name Unification (Draft)

Relationship between SDGs, ESG Investments, and Impact Investments

Snapshot

Relationship in terms of investment target base



(Currently in the process of discussion in the Working Group on Financial Products that Contribute to the SDGs)  
 ⇒ As a general standard, bonds that are consistent with ICMA principles will fall under the category. However, other bonds, such as bonds issued by bodies whose work in general can be thought to contribute to the SDGs (e.g. WB Bonds), are under consideration as well.

## Unification of Names (Concept)

- ◆ The term "SDG" will be used in the securities industry to refer to financial products contributing to the UN SDGs in an effort to popularize them.
- ◆ Details on the definition and usage by JSDA members, among other things, are to be deliberated by the JSDA's Working Group.

## Reasoning and Background on Choosing "SDG Bonds"

- ◆ The SDGs are based on a holistic concept encompassing measures to overcome a wide range of challenges.
- ◆ Green Bonds, Social Bonds, etc. are similar in that they contribute to any one of the SDGs.
- ◆ The unified name can be applied to future bond issuances for new types of projects.
- ◆ The unified name may help raise awareness and deepen understanding of the SDGs themselves among the executives and employees of securities firms.
- ◆ The unified name may also help raise awareness of the SDGs themselves among the customers (individuals, corporations, etc.) of securities firms.
- ◆ The purpose of this subcommittee is to contribute to the SDGs through the securities business.
- ◆ Along with raising awareness of the SDGs among the general public, this unification may encourage investment by those who have interest in the SDGs (including inexperienced investors).

⇒ Expand investor base

⇒ Increase number of issuers

【Note】 There are already some examples of bond issuances labeled as "SDG Bonds" overseas.  
(e.g.)IBRD: Bond linked with SDGs index

HSBC: Bond whose proceeds will be used to finance and/or re-finance business and projects that promote the SDGs

# “SDG bonds”: Expected areas of use

Area where the umbrella term, “SDG bonds” can potentially be used

